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Chambal Fertilisers and Chemicals Limited

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Sixteenth Annual Report
2000-2001

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DIRECTORS

Dr. K.K. Birla
Chairman

H.S. Bawa
Vice Chairman

H.C. Grover
Managing Director

Mohd. Y.A. Al-Roomi
(Alternate : P.J. Batavia)

Dr. Padmakar Asthana
UTI/LIC/GIC Nominee

R.N. Bansal

Dipankar Basu

Shyam S. Bhartia

A.K. Doda
IDBI Nominee

D.B. Engineer

P.K. Kaul

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

S.K. Poddar

A.J.A. Tauro

Marco Wadia

SENIOR EXECUTIVES

D.L. Birla
Executive President (BTM)

Anil Kapoor
Vice President (Strategic Planning)

R.D. Mall
Vice President (Operations)

R.M. Malik
Vice President (H.R.D)

S.M. Nadgir
Vice President (Agri Business)

S.K. Patra
Vice President *(Marketing)*

Sunil Sethy
Vice President (Finance)

P.R. Shankarkumar
President (ISG)

COMPANY SECRETARY

M.S. Rathore

REGISTERED OFFICE

Gadepan,
Distt. Kota, Rajasthan,
PIN - 325 208

CORPORATE OFFICE

Devika Tower,
Ground Floor,
6, Nehru Place,
New Delhi - 110 019

LEGAL ADVISORS

Crawford Bayley & Co.,
Mumbai

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants

BANKERS

Bank of Baroda
Punjab National Bank
State Bank of India
Allahabad Bank
State Bank of Indore
State Bank of Patiala
State Bank of Hyderabad
State Bank of Bikaner & Jaipur

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NOTICE

NOTICE is hereby given that the sixteenth Annual General Meeting of the members of the Company will be held at Gadepan, Distt. Kota, Rajasthan, at 10.30 a.m. on September 14, 2001 to transact the following business:

ORDINARY BUSINESS :

1. to receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2001, Profit & Loss Account for the year ended on that date and reports of Directors and Auditors thereon;
2. to consider declaration of dividend on equity shares;
3. to appoint a director in place of Mr. S. S. Bhartia, who retires by rotation and is eligible for re-appointment;
4. to appoint a director in place of Mr. D. B. Engineer, who retires by rotation and is eligible for re-appointment;
5. to appoint a director in place of Mr. M. D. Locke, who retires by rotation and is eligible for re-appointment;
6. to appoint a director in place of Mr. S. K. Poddar, who retires by rotation and is eligible for re-appointment;
7. to consider and if thought fit, pass with or without modification(s), the following resolution as a special resolution:

   "RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S. R. Batliboi & Co., Chartered Accountants, the retiring auditors be and are hereby re-appointed as auditors of the Company, to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, at such remuneration as may be fixed by the Board of Directors, from time to time and reimbursement of out-of-pocket expenses incurred by them for carrying out the audit."

SPECIAL BUSINESS :

8. to consider and if thought fit, pass with or without modification(s), the following resolution as an ordinary resolution:

   "RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the Company hereby approves the re-appointment and remuneration of Mr. H. C. Grover as Managing Director of the Company for a period of two years with effect from April 1, 2001, not liable to retire by rotation, on such terms and conditions as approved by the Board of Directors and set out in the agreement, a copy of which is placed at the table of the meeting duly initialled for identification.

   RESOLVED FURTHER THAT the Board of Directors be and is hereby specifically authorised to determine such increments payable to Mr. H. C. Grover as it may deem fit and proper within the approved salary range."

9. to consider and if thought fit, pass with or without modification(s), the following resolution as an ordinary resolution:

   "RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/ or charging by the Board of Directors of all the immovable and movable properties of the Company wheresoever situate, present and future and/ or conferring power to enter upon and to take possession of the assets of the Company in certain events to or in favour of all or any of the following namely:

   1. Bank of Baroda (BOB),
   2. The Jammu and Kashmir Bank Limited (J&K Bank),
   3. UTI Bank Limited in its capacity as Trustee for the debentureholders (UTI Bank)

   to secure the following loans, advances, subscription to debentures and or/ working capital facilities given by the aforesaid Financial Institutions and Banks:

   On First Charge Basis:

   a) J&K Bank - Corporate Loan of Rs. 75 crores

   b) UTI Bank - in its capacity as trustees for the holders of 55,00,000 Non-Convertible Debentures of Rs. 100 each aggregating Rs. 55,00,00,000,

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On Second Charge Basis:

BOB - Working Capital facilities aggregating Rs. 21.93 crores,

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, remuneration payable to the Trustees, costs, charges, expenses and other monies payable by the Company to the aforesaid lenders under their respective heads of Agreement/ Loan Agreements/ Debenture Trust Deed/ Letters of Sanction/ Memorandum of Terms and Conditions entered into by the Company in respect of the said term loans, subscription to debentures and working capital facilities.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI (IDBI acting as an agent of BOB, J&K Bank and UTI Bank) the documents for creation of aforesaid mortgage and/ or charges and to do all such acts, deeds and things as may be necessary for giving effect to the above resolution."

By order of the Board

Gadepan
July 28, 2001

M. S. Rathore
Company Secretary

Notes:

1. **Proxy**

   A member entitled to attend and vote is entitled to appoint proxy to attend and vote in his/ her stead and a proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the scheduled time of the meeting. A blank proxy form is annexed to the annual report.

2. **Book Closure**

   The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, 1st August to Monday, 6th August, 2001 (both days inclusive).

3. **Explanatory Statement**

   The Explanatory Statement pursuant to section 173 of the Companies Act, 1956, in respect of item Nos. 3 to 9 of the Notice is given below and forms part thereof.

4. **Payment of Dividend**

   The dividend for the financial year 2000-01 will be paid after its declaration at this meeting to those members whose names appear on the Register of Members of the Company as on August 6, 2001.

5. **Transfer cum Demat facility**

   As per the directives of the SEBI, your Company has been offering the services of transfer cum demat of shares. Under this facility, the shares received for transfer are dematerialised after taking confirmation from the investors through their Depository Participant.

6. **Company on the Net**

   Your Company has launched a website www.zuari-chambal.com/isc where you can visit and find details of various services being provided to the investors, guidance and procedures to be followed by the investors in respect of transfer, transmission and transposition of shares and debentures, dematerialisation and rematerialisation of shares, quarterly and half yearly results, etc.

7. Members who are holding shares in identical order of names in more than one folio, are requested to write to the Company enclosing their share certificates to enable the Company to consolidate their holdings in one folio.

8. Investors are advised to forward the particulars of their bank account, name, branch and address of the bank immediately, if not sent already.

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

10. **Pick -up coach facility**

    For the convenience of members desirous of attending the Company's Annual General Meeting scheduled on September 14, 2001 at 10.30 a.m., the Company will provide transport from Kota to Gadepan and back. The pick-up coach will leave from "Sahyog Bhavan" No. 1, Aerodrome Circle, Kota, at 9.00 a.m. on the date of AGM to reach Gadepan (venue of the AGM) in time for the meeting and leave for Kota after the meeting.

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

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 3 to 6

The brief resume of the directors proposed to be re-appointed, the details of their other directorships and membership of the Committees of the Board are given in the "Report on Corporate Governance".

Item No. 7

Section 224 A of the Companies Act, 1956, provides for appointment/ re-appointment of auditors at an Annual General Meeting by a special resolution in case 25% or more of the subscribed share capital of a company is held by the Public Financial Institutions/ Government Companies/ Central Government/ State Governments/ Nationalised Banks/ Insurance Companies.

The aforesaid institutions/ banks hold more than 25% of the subscribed share capital of your Company. It is therefore, necessary to re-appoint the auditors by passing a special resolution.

None of the Directors of the Company is concerned or interested in the resolution.

The Board commends the resolution for your approval.

Item No. 8

The members of the Company at their thirteenth Annual General Meeting held on August 24, 1998, had approved the re-appointment of Mr. H. C. Grover as Managing Director for a period of three years w.e.f. April 1, 1998 in the salary range of Rs. 75,000 - 4,00,000. The Board of Directors at its meeting held on February 24, 2001 has re-appointed Mr. H. C. Grover as Managing Director for a period of two years w.e.f. April 1, 2001 in the salary range of Rs. 1,40,000 - 1,80,000 per month and other perquisites as specified in the agreement.

The agreement containing the terms and conditions of re-appointment of Mr. Grover shall be available for inspection by the members at the Registered Office of the Company between 1000 hours to 1200 hours on any working day prior to the date of the meeting.

None of the directors except Mr. H. C. Grover is concerned or interested in the resolution.

The Board commends re-appointment of Mr. H. C. Grover as Managing Director of the Company.

Item No. 9

The Company has availed Corporate Loan and working capital facilities for meeting its working capital/ normal capital expenditure requirements and its Spinning Project at Baddi, H. P. Further, the Company has also allotted 30,00,000 and 25,00,000 Secured Non-convertible Debentures (NCDs) of Rs. 100 each at par on private placement basis to Life Insurance Corporation of India and Unit Trust of India respectively. For this purpose, M/s. UTI Bank Limited (UTI Bank) has been appointed as the Debenture Trustee. The financial assistance so availed of is required to be secured by mortgage of all the immovable and movable properties of the Company, both present and future. The mortgaging of the immovable and movable properties is regarded as disposal of the Company's properties/ undertaking under section 293(1) (a) of the Companies Act, 1956, hence your approval is being sought.

Copies of the aforesaid agreements are kept for inspection at the Registered Office of the Company between 1000 hours and 1200 hours on any working day prior to the date of the meeting.

None of the Directors of the Company is concerned or interested in the resolution except Mr. A. K. Doda who is the nominee director of IDBI.

The Board commends the resolution for your approval.

By order of the Board

Gadepan
July 28, 2001

M. S. Rathore
Company Secretary

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Directors' Report

To

The Members

Your Directors have pleasure in presenting the 16th Annual Report together with audited accounts for the financial year ended March 31, 2001.

1. Financial Results and Appropriations

(Rs. in crores)

Particulars	2000-2001	1999-2000
Turnover	**1803.75**	1362.65
Gross Profit after interest but before depreciation and tax	**263.14**	236.33
Depreciation	**136.22**	96.64
Profit before tax	**126.92**	139.69
Provision for taxation (MAT)	**10.76**	15.95
Profit after tax	**116.16**	123.74
Balance of Profit brought forward	**188.05**	184.43
Profit available for appropriation	**304.21**	308.17
Debenture Redemption Reserve	**0.10**	18.00
Debt Redemption Reserve	**17.61**	14.21
General Reserve	**25.00**	25.00
Interim dividend on Cumulative Redeemable Non Convertible Preference Shares	**1.96**	—
Tax on Preference Dividend	**0.45**	—
Proposed Dividend on Equity Shares	**56.84**	56.68*
Tax on proposed dividend	**5.80**	6.23
Balance carried forward to Balance Sheet	**196.45**	188.05

* Interim dividend

The sales have increased by Rs. 441 crores during the year, showing an increase of 32% over the previous year. The increase is primarily due to higher sales consequent to first full year operation of Gadepan II plant and commissioning of additional spindlage in BTM. The net profit of the Company has dropped to Rs. 116 crores in 2000-01 as compared to Rs. 124 crores in 1999-2000 despite increased sales. The drop in profit is attributable to (a) downward revision in the revised provisional Retention Price of Gadepan I plant due to an interim re-assessment of capacity, (b) the Retention Price support for Gadepan II plant has been accounted on the basis of an estimated adhoc Retention Price, which is lower than the expected Final Price and (c) restricted allocation of Urea under the Essential Commodities Act.

2. Issue of Securities

As a part of treasury operation, your Company allotted (a) 9.40% - 2,50,00,000 Cumulative Redeemable Non-Convertible Preference Shares of Rs. 10 each for cash at par aggregating to Rs. 25 crores, on private placement basis on May 31, 2000, and (b) 11.75% - 55,00,000 Secured Redeemable Non-Convertible Debentures of Rs. 100 each at par aggregating to Rs. 55 crores on private placement basis on March 30, 2001 to meet medium term funds requirement. The above Preference shares and Non Convertible Debentures are redeemable on expiry of 3 years from the date of allotment.

3. Dividend

The Board of Directors at its meeting held on February 24, 2001, had approved the payment of interim dividend @ 9.40% on pro-rata basis on 2,50,00,000 Cumulative Redeemable Non-Convertible Preference Shares of Rs. 10 each. The outgo including dividend tax on this account was Rs. 2.41 crores. The Board of Directors does not recommend any final dividend on Cumulative Redeemable Non Convertible Preference Shares.

The Board also recommends dividend of Rs. 1.40 per equity share on 40,60,00,000 equity shares of Rs. 10 each (Previous year Rs. 1.40 per share). The total outgo on this account including dividend tax will be Rs. 62.64 crores.

4. Retention Price

Gadepan -I

The members are aware that urea price is regulated by the Government of India through fixation of uniform Consumer Price and Ex-Factory Retention Price for each manufacturing unit under the Retention Price Scheme. Your Company had applied to the Fertiliser Industry Co-ordination Committee (FICC) of the Government of India for fixation of Final Retention Price for urea manufactured at Gadepan-I Plant. The Government of India, Ministry of Chemicals and Fertilisers, on January 28,1999 notified a Revised Provisional Retention Price of urea produced by the Company effective commencement of commercial production i.e. January 1, 1994. The Final Retention Price has not yet been notified. Accordingly, the Company has accounted for the Retention Price Support during the current year on the basis of this Revised Provisional Retention Price and other claims based on FICC norms. The matter is being pursued with the Government for early fixation of Final Retention Price.

Gadepan - II

The Company had approached FICC to notify Ad-hoc Retention Price for Gadepan II under existing FICC norms. The Government of India notified on December 29, 1999 an Ad-hoc Retention Price for Gadepan – II effective October 20, 1999. The Retention Price so notified was substantially lower than what was expected at the ad-hoc stage. The Company made various representations to the Government of India and based on these representations, the ad-hoc retention price was partially enhanced. The Company has accounted for the Retention

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Price Support during the current year on the basis of estimated Revised Ad-hoc Retention Price. The Company is still pursuing the matter with the Government of India for the fixation of Final Retention Price.

5. Joint Ventures

a) Indo Maroc Phosphore, S.A. (IMACID), Morocco
IMACID is a 50:50 joint venture between Office Cherifien Des Phosphates, Morocco and your Company. Year 2000 was first full year of commercial production for IMACID. During 2000, IMACID produced, 2,54,736 MT of P2O5 with capacity utilization of 98% on stream days basis. Exports during the period amounted to 1,77,594 MT of P2O5 and 1,77,618 MT of DAP (equivalent to 84,901 MT of P2O5). Total Phosphoric Acid export thus amounted to 2,62,495 MT. Production in the current year till 31st March, 2001 was 76,388 MT of P205.

b) Chambal Agritech Limited, India
Chambal Agritech Limited (CAL), a 50:50 Joint Venture between your Company and Technico Pty. Limited of Australia, is setting up a project in Himachal Pradesh, India to manufacture 18.05 million miniature potato seeds annually known as Technituber™ at a project cost of Rs. 552.92 million. This project will use a scientifically advanced technology for producing large volumes of miniature potato seeds in fewer generations. The project to set up potato seed production facility of CAL is to be completed in three phases and is progressing as per schedule. Phase – I, covering the physical establishment of the plant and machinery and commissioning of the facility has been successfully completed without any time and cost overrun and the operations have commenced w.e.f. August 7, 2000. Phase – II covering the production of Technituber™ seed in two cycles annually over 3 years, has also commenced. As on March 31, 2001, the Company had produced 5.6 million Technituber™ seeds under cycle I and production under cycle II is under way. This phase also envisages the Agronomy Roll-Out Plan, which is planned to commence w.e.f. October 1, 2001. Phase – III of the Project involving production and sale of G II seeds is expected to commence from October 2003.

c) Birla Home Finance Limited
Your Company signed a Shareholders Agreement on September 18, 2000 with M/s. BHW Holding AG, Germany for inducting BHW as 50% partner into the Joint Venture, alongwith their share of equity funds. With this, BHFL ceased to be a subsidiary of your Company. BHW Holding A G is engaged in the business of financial services and has developed expertise in retail home finance.

During first full year of operation under the current management, Birla Home Finance Limited (BHFL) has sanctioned housing loans amounting to Rs. 8587 lacs and disbursed loans of Rs. 4938 lacs. During the year, BHFL has earned an operating income of Rs. 391 lacs and other income of Rs. 140 lacs totalling to Rs. 531 lacs. BHFL is presently operating through 15 fully operational branches spread over 12 States/ Union Territories and plans to expand the branch network during the current year.

d) Zuari Investment Limited
Your Company has invested Rs. 50 crores in the share capital of Zuari Investment Limited (ZIL) by way of subscription of equity share capital of Rs. 21.15 crores and preference share capital of Rs. 28.85 crores. With this investment, ZIL has become a 50:50 joint venture between Zuari Industries Limited and your Company.

ZIL, an erstwhile subsidiary of Zuari Industries Limited, is a SEBI authorised category I Merchant Banker, member of Over the Counter Exchange of India and Depository Participant with National Securities Depository Limited.

During the year 2000-01, ZIL as a part of their business activities, has invested Rs. 50 crores in the share capital of India Steamship Company Ltd. This investment is a long term strategic investment in the light of projected profitable operations of India Steamship Company Ltd., revival of Shipping Industry and "one time settlement" reached by India Steamship Company Limited with Government of India waiving an amount of Rs. 155.37 crores.

6. Environmental Protection and Safety

Your Company is committed to environmental protection, pollution control and maintenance of ecological balance. Due care has been taken to provide the state of the art facilities to safeguard the environment in and around the plants and all statutory requirements of Pollution Control are being strictly complied with. The Company maintains a strict in-house pollution control monitoring system and safety measures through an Environment Monitoring Cell (EMC) and Safety Department comprising of 12 dedicated engineers, chemists and safety officers. The Company has planted 2.5 lac trees of 120 varieties in 39% of the total area of the Gadepan complex, immensely improving the quality of the environment. The Company is maintaining 80 acres of sprawling forest around the plants at Gadepan besides developing the landscaping and lawns in the premises.

The Company has been accredited ISO 14001 for Environment Management Systems by an internationally reputed organisation called DNV, Netherlands.

Similarly, Textile Division is also maintaining high levels of pollution control and environment protection norms.

7. Conservation of Energy

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

The requisite information with regard to conservation of energy, technology absorption and foreign exchange outgo

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and earnings in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out in separate statements attached hereto (Annexures A & B) and forms part hereof.

8. Investor Service Centre

It has always been the motto of the Company to provide the most efficient and best possible services to its investors through a high level of professionalism and a fully computerised environment. The In-house Investor Service Centre (ISC) of your Company located at New Delhi, continues to provide prompt investor service through quick resolution of investor grievances and 'Over the Counter' transfer of securities.

During the year, the Company has redeemed first tranche of Rs. 34 on 2,12,00,000 NCDs. The next two tranches of redemption @ Rs. 33 each will be made in July and September 2001 and 2002.

The members are requested to refer general shareholders information given in Annexure – "D" relating to Corporate Governance.

The securities of your Company are listed at National Stock Exchange, The Stock Exchange, Mumbai and other stock exchanges situated at Calcutta, Delhi, Hyderabad and Jaipur. The Company has paid the annual listing fee to these stock exchanges for the year 2001-2002.

9. Fixed Deposits

As on March 31, 2001, your Company had 3940 deposit-holders with fixed deposits of Rs. 706.41 lacs. 48 deposit-holders did not claim FD amount of Rs. 5.64 lacs as on that date. Such deposit-holders have been advised to claim their deposits.

10. Personnel

Your Company considers its employees as the most valuable asset and believes that it is the people who are behind a strong and professional organisation. The Company greatly values their contribution and dedication and is committed to the development and growth of this vital resource. The Board wishes to place on record its appreciation of the contribution made by all employees in ensuring the high levels of performance and growth that your Company has achieved during the year.

We realise that to nurture the leaders of tomorrow, we shall have to manage effectively and create competency-based systems that attract and sustain talent. To achieve this, we have introduced a restructured performance appraisal system that recognises the real value-addition made by each employee. During the year, numerous in-house training programmes were designed and conducted with the help of external faculty. Employees were also deputed to reputed Institutions for technical and management training programmes. This is done to provide an opportunity for the professional development of the employees to keep them abreast of the changing environment of globalisation and liberalisation. A climate of harmonious employees' relations prevailed throughout the year except the strike in Textile Division from July 12, 2000 to January 15, 2001.

Information in accordance with section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of the Directors' Report for the year ended March 31, 2001 as given in Annexure "C" to this report.

11. Social Work and Rural Development

Your Company's commitment to care for the community in which it operates and works has evolved from its corporate philosophy. The community is not merely a stakeholder but the mainstay of your Company's values. Serving the community gives a feeling of personal satisfaction and fulfillment to everyone involved in this activity and sets a high standard of individual behavior of your company's employees.

For better medical healthcare for the residents of surrounding villages, "Arogya Seva Kendra" scheme has been implemented, wherein an ambulance alongwith doctor and nursing staff daily visits two to three surrounding villages and provides medical care to the villagers. Medical education/ health and hygiene education is also given to the villagers. Company's ambulance services are also made available to surrounding villages in case of accidents and during emergencies requiring immediate medical care. In case of fire in nearby villages, the fire tender assistance is placed at the disposal of District Administration. To provide primary health care in the vicinity of Gadepan, your Company has initiated a health care scheme managed by the ladies of the Chambal family. A mobile health care service, operating in sixteen villages, provides the patients free medicines. The Company is also actively associated with local administration in family welfare schemes and organisation of sports and cultural activities.

Rajasthan continues to groan in the agony of third successive drought. With successive droughts, drinking water has become scarce and has to be hauled over long distances. Your Company moved in to start Uttam Jal Seva, by supplying drinking water in over fifty villages spread over the districts of Udaipur, Bhilwara and Rajsamand. For immediate relief, tube wells and hand pumps were deepened. However, deepening of wells does not solve a problem. The long term solution is to harvest water. A watershed project has been initiated for this purpose in district Chittorgarh, Rajasthan.

The earthquake in Gujarat left the nation in shock and grief. Your Company contributed Rs. 25 lacs to Prime Minister's National Relief Fund for the purpose of providing relief to the grief stricken families of the victims of the devastating earthquake. The employees of your Company also donated a portion of their salary to Prime Minister's National Relief Fund. Your Company and its employees share the nation's deep sorrow on this disaster.

12. Directors

During the year, Industrial Development Bank of India appointed Mr. A.K. Doda as its nominee on the Board of

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Directors of the Company in place of Mr. T.M. Nagarajan w.e.f. August 4, 2000. Your Board wishes to place on record its appreciation for the valuable services and guidance rendered by Mr. T.M. Nagarajan during his tenure as a Director of the Company. Mr. A. K Doda is presently Executive Director of IDBI and has a rich and varied corporate experience.

Other information on the directors including those retiring by rotation is provided in the Annexure "D" on Corporate Governance.

13. Auditors

The Notes on Accounts appearing in Schedule 20 and referred to in the Auditors' Report are self explanatory and therefore, do not call for any further comments or explanations.

The Auditors M/s. S. R. Batliboi & Co., Chartered Accountants, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment. Re-appointment, if made, will be in accordance with the provisions of section 224 (1B) of the Companies Act, 1956.

14. Corporate Governance

Separate notes on Corporate Governance and Management Discussion and Analysis are attached as Annexure - "D" and "E" respectively.

15. Directors Responsibility Statement

Your Directors hereby report:

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

b) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2001 and of profit and loss account for the period ended 31st March, 2001.

c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) that the Directors have prepared the annual accounts on a going concern basis.

16. Acknowledgements

Your Directors wish to place on record their appreciation of the assistance and co-operation that your Company received from the Department of Fertilisers, Government of India, Government of Rajasthan, Financial Institutions, Commercial Banks, Shareholders and all others whose continued support has been a source of strength to the Company. Your Directors also wish to place on record their sincere appreciation of the devotion and dedicated efforts put in by the employees at all levels.

By order of the Board

New Delhi
April 30, 2001

K .K. Birla
Chairman

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Annexure "A" to Directors' Report

FORM "A"

Disclosure of Particulars with respect to Conservation of Energy

Particulars	Unit	Current year	Previous year
A. POWER & FUEL CONSUMPTION			
1. Electricity			
a) Purchased			
Quantity	MWH	**11460.63**	6974.29
Total Amount [Incl. Minimum demand (MD) charges]	Rs. Lacs	**448.60**	278.54
Rate/Unit (Excl. MD charges)	Rs./KWH	**3.91**	3.99
b) Own Generation			
i) Through diesel generator			
Quantity	MWH	**27146.87**	3173.38
Unit per KL of Furnace Oil	KWH/FO	**4.22**	4.15
Unit per KL of HSD	KWH/HSD	**3.19**	3.28
Cost/Unit	Rs./KWH	**2.43**	3.43
ii) Through steam turbine/generator			
Quantity	MWH	**130607.99**	122925.55
Unit per SM3 of Gas	KWH/SM³	**2.23**	2.21
Unit per Kg of Naphtha	KWH/KG	—	2.44
Cost/Unit	Rs./KWH	**1.76**	1.78
2. Natural Gas (Ammonia- Fuel, Power & Steam)			
Quantity	1000 SM³	**224057.69**	226191.92
Total Cost	Rs. Lacs	**8805.72**	8333.64
Average Rate/Unit	Rs./1000 SM³	**3930.11**	3684.32
3. Naphtha (Ammonia- Fuel, Power & Steam)			
Quantity	MT	**262000.51**	153430.48
Total Cost	Rs. Lacs	**38578.39**	18834.93
Average Rate/Unit	Rs./MT	**14724.55**	12275.87
4. Furnace Oil			
Quantity	KL	**6100.00**	216.00
Total Cost	Rs. Lacs	**602.63**	21.39
Average Rate/Unit	Rs./KL	**9879.18**	9902.78
5. HSD			
Quantity	KL	**393.31**	675.00
Total Cost	Rs. Lacs	**57.16**	87.44
Average Rate/Unit	Rs./KL	**14532.92**	12954.07
B. CONSUMPTION PER MT OF UREA PRODUCTION:			
1. Electricity [Incl. Internal consumption]	KWH/MT	**79.38**	102.50
2. Natural Gas (Ammonia -Fuel, Power & Steam)	SM³/MT	**128.54**	178.48
3. Naphtha (Ammonia - Fuel, Power & Steam)	KG/MT	**150.31**	121.07
C. CONSUMPTION PER MT OF YARN PRODUCTION			
1. Electricity [Incl. Internal consumption]	KWH/MT	**5474.45**	5004.90
2. Furnace Oil	KL/MT	**1.08**	0.34
3. HSD	KL/MT	**0.07**	1.05

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