



**CHAMBAL FERTILISERS
AND CHEMICALS LIMITED**

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**TWENTIETH ANNUAL REPORT
2004-2005**

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NOTICE

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

ORDINARY BUSINESS:

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

SPECIAL BUSINESS:

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:
"RESOLVED THAT pursuant to the provisions of sections 198, 309 and all other applicable provisions of the Companies Act, 1956, the Company hereby approves the following remuneration of Mr. Sunil Sethy, Managing Director of the Company:
 a) basic salary of Rs. 2,25,000 per month for the financial year 2005-06, in the revised basic salary range of Rs. 2,00,000 to Rs. 6,00,000 per month together with the allowances and perquisites as per the revised agreement entered into between the Company and Mr. Sunil Sethy; and
 b) performance bonus of Rs. 6,00,000 for the financial year 2004-05."

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

By order of the Board

New Delhi
August 20, 2005

M. S. Rathore
General Manager- Legal & Secretary

Notes

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

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

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

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



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

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

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

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

5. Investors holding physical shares are advised to forward the particulars of their bank account, name, branch and address of the bank immediately, if not sent already, so as to enable us to incorporate the same on dividend warrants.
6. Investors holding shares in physical form are advised to opt for Electronic Clearing System (ECS) to avail fast and safe remittance of dividend and return the Mandate Form at the earliest accurately filled and signed. A photocopy of a leaf of your cheque book bearing your bank account number may also be sent along with the Mandate Form to the Share Transfer Agent. A blank ECS Mandate Form is attached herewith.
7. **Company on the Net**

The website of your Company is www.zuari-chambal.com where you can visit and find more information about the Company, its Subsidiaries and Joint Ventures. The details of various services being provided to the investors, guidance and procedure to be followed by the investors in respect of transfer, transmission and transposition of shares, dematerialisation and rematerialisation of shares, quarterly, half yearly and annual results, etc. are available at the page <http://www.zuari-chambal.com/web-info-isc-final.htm>

8. Share Transfer Agent

M/s. Zuari Investments Limited is Share Transfer Agent of the Company. All investor related communication may be addressed to:

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

9. Members are requested to:

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

10. Pick-up Coach Facility

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

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

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

Item No. 8

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

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

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

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

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

The Board commends the resolution for your approval.

By order of the Board

New Delhi
August 20, 2005

M. S. Rathore
General Manager- Legal & Secretary

Directors' Report

Dear Members,

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

1. Financial Results and Appropriations

(Rs. in crore)

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

* Excluding excise duty

2. De-merger and Amalgamation

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

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

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

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

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

3. Dividend

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

4. New Fertiliser Pricing Policy

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

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

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

5. Information on Business Segments

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

6. Joint Ventures and Associates

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

**DIRECTORS**

Dr. K.K. Birla
Chairman

S.K. Poddar
Co-Chairman

H.S. Bawa
Vice Chairman

Sunil Sethy
Managing Director

R.N. Bansal

Dipankar Basu

Shyam S. Bhartia

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

A.J.A. Tauro

Marco Wadia

**GENERAL MANAGER -
LEGAL & SECRETARY**

M.S. Rathore

SENIOR EXECUTIVES

D.L. Birla
Executive President – BTM

Ashok Kak
Executive President – India Steamship

Deepak Kapur
Vice President – Food Processing

V. Krishnan
Vice President – Corporate Finance

Vinod Mehra
Vice President – Operations

S. Mohan
Vice President – Corporate HR

S.K. Patra
Vice President – Marketing

M. George Peter
Vice President – Central Purchasing

Krishna Srinivasan
Chief Executive Officer – IT Business

LEGAL ADVISORS

Crawford Bayley & Co.
Mumbai

AUDITORS

S.R. Bailiboi & Co.
Chartered Accountants

DEBENTURE TRUSTEE

UTI Bank Ltd.

BANKERS

Bank of Baroda

Allahabad Bank

Citibank

HDFC Bank

ICICI Bank

ING Vysya Bank

Punjab National Bank

State Bank of Hyderabad

State Bank of India

State Bank of Mysore

State Bank of Patiala

UTI Bank

Registered Office: Gadepan, Distt. Kota, Rajasthan, PIN - 325 208

Corporate office: International Trade Tower, E Block, 14th Floor, Nehru Place, New Delhi - 110 019



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

During the year 2004, IMACID produced 373,895 MT of Phosphoric Acid (P_2O_5) with a capacity utilization of 111% on stream days basis. Sales during the period were 376,441 MT of P_2O_5 . The Cash Profit (after tax) during the year was Moroccan Dirham (MAD) 259.37 million (US\$ 30.26 million) against MAD 51.70 million (US\$ 4.81 million) in the previous year. The increase in cash profit was mainly due to better sales realization of P_2O_5 and receipt of balance amount of insurance claim of MAD 24.87 million.

(ii) BHW Birla Home Finance Limited (BBHFL)

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

(iii) Zuari Investments Limited (ZIL)

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

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

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

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

7. Subsidiaries

(i) Chambal Biotech Private Limited (Chambal Biotech)

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) ISG Novasoft Technologies Limited (ISG Novasoft)

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

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

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

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

8. Environmental Protection and Safety

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

a) Environmental Protection

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

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

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

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

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

harvesting by constructing recharge wells.

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

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

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

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

b) Safety and Health

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

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

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

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

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

9. Conservation of Energy

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

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

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



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

10. Investor Service Centre

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

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

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

11. Fixed Deposits

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

12. Personnel

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

13. Corporate Social Responsibility

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

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

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

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

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

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

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

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

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

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

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

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

14. Directors

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

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

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

15. Auditors

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

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

16. Corporate Governance

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

17. Code of Conduct and Ethics

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

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

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

18. Directors Responsibility Statement

Your Directors hereby report:

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

- b) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2005 and of profit and loss account for the period ended March 31, 2005.
- c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that the Directors have prepared the annual accounts on a going concern basis.

19. Consolidated Financial Statements

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

20. Acknowledgements

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

By order of the Board

New Delhi
August 20, 2005

K.K. Birla
Chairman