



**CHAMBAL FERTILISERS
AND CHEMICALS LIMITED**

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**TWENTY FIRST ANNUAL REPORT
2005-2006**

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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

Arun Sharma
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

Krishna Srinivasan
Chief Executive Officer – IT Business

LEGAL ADVISORS

Crawford Bayley & Co.
Mumbai

AUDITORS

S.R. Batliboi & 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

Website: www.zuari-chambal.com

NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the members of the Company will be held at 1030 hours on Friday, August 25, 2006 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, 2006, 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 Mr. Marco Wadia, who retires by rotation and is eligible for re-appointment;
4. To appoint a director in place of Mr. D. Basu, who retires by rotation and is eligible for re-appointment;
5. To appoint a director in place of Mr. A.J.A. Tauro, 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.

By order of the Board

New Delhi
June 20, 2006

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 Wednesday, July 19, 2006 to Tuesday, July 25, 2006 (both days inclusive).

3. Payment of Dividend

The Dividend on Preference and Equity Shares for the year ended March 31, 2006, 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 July 25, 2006, after giving effect to all valid share transfers lodged with the Company on or before Tuesday, July 18, 2006.
- (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 Tuesday, July 18, 2006.

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
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
2004-05	20.10.05	19.11.12

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 1998-99 through 2004-05 to our Share Transfer Agent at New Delhi for revalidation and encash them before the due dates for transfer to the IEP Fund.

4. 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.
5. 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 accurately filled in and signed at the earliest. 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.

6. 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.zuarichambal.com/web-info-isc-final.htm>

7. 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, 26413391
E-mail : isc@cfert.com

8. 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.

9. 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 August 25, 2006, 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.

By order of the Board

New Delhi
June 20, 2006

M. S. Rathore
General Manager- Legal & Secretary

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Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 21st Annual Report together with audited accounts for the financial year ended March 31, 2006.

1. Financial Results and Appropriations

(Rs. in Crores)

Particulars	2005-06	2004-05
(a) Turnover	2740.62	2679.47
(b) Gross Profit after interest but before Exceptional Items, Depreciation and Tax	400.05	367.53
(c) Depreciation	158.95	151.32
(d) Profit before Exceptional Items and Tax	241.10	216.21
(e) Exceptional items	40.43	64.81
(f) Profit before Tax	281.53	281.02
(g) Provision for current Tax	110.60	89.30
(h) Provision for Deferred Tax	(34.54)	(28.91)
(i) Fringe Benefit Tax	2.03	-
(j) Provision for Tonnage Tax	0.32	-
(k) Profit after Tax	203.12	220.63
(l) Balance of Profit brought Forward	300.49	203.80
(m) Transferred from Debenture Redemption Reserve	16.00	15.00
(n) Profit available for Appropriation	519.61	439.42
(o) Appropriations:		
• Debenture Redemption Reserve	7.25	26.00
• Capital Redemption Reserve	0.25	-
• Tonnage Tax Reserve	2.00	2.00
• General Reserve	25.00	25.00
• Proposed Dividend on Preference Shares	0.01	0.30
• Proposed Dividend on Equity Shares	74.92	74.92
• Tax on Dividend	10.51	10.72
(p) Balance carried Forward to Balance Sheet	399.67	300.48

Notes :

- (i) Turnover excludes excise duty.
- (ii) Dividend on preference shares for the year 2004-05 included cumulative dividend for previous years. The proposed dividend on these shares for the current year is upto the date of redemption i.e. March 15, 2006.
- (iii) The financial results for the year 2004-05 incorporated the financial results of Shipping Business amalgamated with the Company pursuant to the Scheme of Amalgamation and the Shipping Investment Undertaking vested in the Company pursuant to the Scheme of De-merger w.e.f. September 1, 2004 and thus the financial results of the year 2005-06 are not comparable with the previous year.

2. Dividend

The Board recommends pro-rata dividend @ 5% on Cumulative Redeemable Preference Shares of Rs. 10 each. The Board also recommends dividend @ 18% on equity shares of Rs. 10 each (Previous year - 18%). The total outgo on this account will be Rs. 85.44 crore including dividend tax.

3. New Fertiliser Pricing Policy

The Government of India introduced New Pricing Scheme for Urea w.e.f. April 1, 2003, replacing the three decade old unit wise Retention Price Scheme. New Pricing Scheme was to be implemented in three stages i.e. Stage I from April 1, 2003, Stage II from April 1, 2004 and Stage III from April, 2006. The Stage I and II of the New Pricing Scheme were completed on March 31, 2004 and March 31, 2006, respectively. The Government constituted a Working Group under the Chairmanship of Dr. Y.K. Alagh to review the implementation of Stage I & II of New Pricing Scheme for Urea units and formulate a policy for Stage III commencing from April 1, 2006. The Working Group has submitted its recommendations on policy for Stage III. Based on the review of these recommendations, Ministry of Chemicals and Fertilizers has initiated the process for finalization of the policy for Stage III.

As per the New Pricing Scheme, the distribution of Urea was to be fully decontrolled from April 1, 2004, however, the Government decided to continue with 50% decontrol during the year 2005-06.

Your 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% capacity from Gadepan I & II Plants has been accounted for on an estimated basis in line with the known policy parameters.

4. 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 'G' to this report.

5. Joint Ventures and Associates

(i) Indo Maroc Phosphore S.A., Morocco (IMACID)

During the year 2005, IMACID produced 367,868 MT of Phosphoric Acid (P_2O_5) at a daily average rate of 1169 MT. Sales during the period were 370,024 MT of P_2O_5 against the budget of 365,000 MT of P_2O_5 .

The Cash Profit (after tax) during the year 2005 was 318.4 million Moroccan Dirham (MAD) against 245.59 million MAD for the year 2004. The increase in cash profit is mainly due to better sales realization of P_2O_5 and exchange rate variation gain of 27.90 Million MAD.

The Capacity Augmentation Project-II (estimated project cost of 238 Million MAD [USD 28 Million]) to increase the annual capacity of P_2O_5 from 365,000 MT to 430,000 MT is progressing satisfactorily and expected to be completed by end July 2006.

(ii) Zuari Investments Limited (ZIL)

Zuari Investments Limited 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.

During the year, ZIL has also taken the membership of National Stock Exchange for equity as well as Future & Option segment. With this, ZIL has become one stop shop for stock broking, depository services and investment advisory services and is fully poised to reap the benefits of buoyant capital market.

During the financial year 2005-06, the income from various services was Rs. 334 lacs and cash profit was Rs. 76.18 lacs.

6. Subsidiaries**(i) Chambal Biotech Private Limited**

Chambal Biotech 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 A\$ 5.69 million, thus increasing the equity stake to 77.64%.

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

The consolidation of the seed business into Technico Pty Ltd was completed successfully during the year 2005-06 and its strategy has been redrawn to focus on:

- The major potato markets of China and India for both Technituber® and field seeds;
- Build a Technituber® seed export led business in large potato markets in the Middle East and Africa;

This strategy has been highly successful as evidenced by an increase in sales by 66% to AUD 8.8 million in 2005-06.

The Indian business has been a key performer where both volumes and prices have grown substantially. Seed volume doubled to 18,313 MT and prices improved by 16%. As a result, the Indian business made cash profits this year.

The Chinese business continued to be profitable and in addition to Technituber® sales, it is building a field seed program. The benefits of this shift would accrue in 2007-08.

Exports to the Middle East and North Africa continue to grow with new markets being opened in Algeria and South Africa.

As a result of these measures and focused innovation and cost effective plans run by the management, the EBITDA loss of the Company reduced to around AUD 0.5 million from AUD 4.94 million in the previous year.

The business is targeting to become profitable at the EBITDA level in 2006-07.

The Revenue and Cash Losses of Technico for 12 month period ended March 31, 2006 were AUD 8.83 million and AUD 1.62 million, respectively.

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

During the year 2005-06, your Company has further invested US\$ 3.42 million in the common stock of NovaSoft thereby increasing its stake to 99.90%.

With the global IT industry showing positive signs of growth, there are outsourcing opportunities opening up with NovaSoft's presence in select global territories. NovaSoft can leverage on IT outsourcing opportunities. The Information Technology Enabled Services market is growing at a rapid pace and so is the number of suppliers making the market extremely competitive. 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, 2006 were US\$ 9.17 million and US \$ 3.35 million, respectively.

(iv) ISG Novasoft Technologies Limited (ISG Novasoft)

ISG Novasoft Technologies Limited is focusing on expanding the business in offshore product development and commercial mortgage. The financial year has begun on a good note for the Indian IT sector showing good results and positive outlook. India continues to be an attractive investment destination, as leading global companies have ramped up their investments in India. With a positive outlook in the entire global economy, outsourcing of IT requirements by global leaders to Indian companies has also picked up. India drew the bulk of the global Information Technology Enabled Services/Business Process Outsourcing business on account of its unmatched value proposition. Small and Medium Enterprises are using a judicious mix of products/services and alliances with larger firms and complementary Small Medium Enterprises to service customers in chosen domains. ISG Novasoft has a good strategy and optimal portfolio mix to capitalize on this booming trend. Your company has secured the SAP partnership. This will provide the needed competitive advantage to position ISG Novasoft as a strong player in solution selling.

The Revenue and Cash Losses of ISG Novasoft for 12 month period ended March 31, 2006 were Rs. 620.16 lacs and Rs. 795.06 lacs, respectively.

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 Auditor's 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, NovaSoft 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.

7. Environmental Protection and Safety

a) Environment Management

Your Company has established and maintained an Integrated EHS (Environmental, Occupational Health and Safety) Management System as per the requirement of ISO-14001: 2004 and OHSAS-18001: 1999.

Sustainable Development

Your company is totally committed to sustainable development and has started various environment programmes keeping the global issues in mind, viz. Rain Water Harvesting 'Ground Water Recharging, Energy Conservation measures, Use of solar energy etc. As a drive for rainwater harvesting, the Company has constructed an anicut on the perennial River Kalisindh. The Company has taken up a project of implementation of Recharge Wells at suggested points for ground water recharging. These form not only a part of our Environment Management System, but also evolve out of our commitment to qualitatively better the lives of the communities in proximity to our plant.

Educating and sensitizing the employees, contractors and customers on the importance of sustainable development is a process in continuum.

Managing and Recycling of waste

Your company is managing well designed treatment facilities to control pollution. Major thrust is on 3R concept i.e. Reduce, Reuse and Recycle of generated effluents after their proper treatment. More than 98% of generated effluents are recycled in the processes.

Rest of the waste water after treatment, is used in developing and maintaining of green belt through a 35 KM long irrigation network spread all over the complex. This helps in saving both water and environment in addition to prevention of degradation and erosion of soil by providing green covers. The campus of your Company with fully developed green belt, gardens, lawns, shrubs and landscaping has a lush green touch because of the irrigation network.

Tree Plantation

Your Company has started an ambitious programme named "Operation Green". A vast greenbelt developed in the plant premises with fruit bearing trees provides an excellent setting for flora and fauna. Further a positive change in Ecology of the surrounding area is experienced due to development of a dense green belt, forest development (about 2.7 lacs trees), etc. This has brought about a positive ecological change thereby providing not only habitat

to some of the migratory birds species from Siberia specially Siberian Crane, but also perennial habitat to more than 100 species of birds.

The green cover in and around our plant, with lacs of trees, is a reflection of your Company's passion for environmental preservation.

Water consumption

Water consumption has substantially reduced through implementation of various conservation schemes. The trend of consumption shows a continual improvement in last three years. The consumption of water last year was 5.12 Cubic Meter per ton of urea which is one of the best in the fertilizer industry. As a part of continued efforts, your company has taken many initiatives in water conservation and management such as Rain water harvesting, planned for Reverse Osmosis plant for reusing the waste water etc, besides community programs for water conservation awareness.

Solid/Hazardous Waste Management

Your Company has adopted modern technology towards waste management named 'Vermiculture' for managing domestic waste and other organic waste. Besides mitigating the disposal problem, it also gives organic manure.

Your Company has adopted best methods to manage Solid/Hazardous Waste disposal after proper categorization. Saleable item are sold out to the recognized parties and others are reused to the maximum extent. There is strict prohibition on use of polythene bags in the township.

b) Safety and Health

Safety initiatives

Safety philosophy of your Company is simple i.e. every employee is responsible for safety. "**SAFETY FIRST, PRODUCTION MUST**" is our motto.

Safety, in your Company, is accorded the highest priority by the top management. A corporate safety department is steering the Company towards excellence in safety by introducing and tracking new safety initiatives across the organization.

A strong safety and occupational-health programme is in place to ensure the safety of employees as well as equipment and machinery at the production facility. As mentioned above, your Company is an ISO:14001-certified and has achieved OHSAS-18001 standards.

The following are some of the significant initiatives that your company has undertaken in recent times:

British Safety Council's five-star grading

To benchmark its safety-management system with the best international standards, your Company is working towards achieving this world-class standard in safety. Representatives from the British Safety Council (BSC) have already carried out the safety audit. Your Company has put in place the principles and systems to meet the 82 requirements of the BSC code as per their advice and guidance.

Safety audits

Apart from periodic internal-safety audits, external audits are also carried out. The gaps identified in the audit are rectified on the basis of well defined action plan.

Good Housekeeping

Based on the Japanese 5-S and TPM (Total Productive Maintenance) concepts, practices have been adopted in your Company to ensure the maintenance of quality standards and safety-management norms. This is being implemented in the form of Interdepartmental "Good House Keeping Competition".

Behavior-based safety

Most unsafe incidents are a result of unsafe behavior. Training and awareness in the plant as well as in the township, the use of safety equipment, a ban on smoking, various safety publications, some 1,000 billboards, daily safety reports, and interdepartmental safety audits have all been introduced to improve safety standards.

Near-miss reporting

A system of reporting and recording all near-miss incidents helps in preventing accidents and in identifying root causes. A committee with cross functional representation administers the near-miss scheme. As an incentive to the staff, an award is given to the three most important near-miss reports of the year.

Safety promotion

A number of safety-promotion activities, such as quiz competitions, the screening of video films, slogan contests, safety exhibitions, etc, are organized during Safety Week, which is held every year on March 4, the National Safety Day.

Achievements

Your Company received the following Environment & Safety awards from various reputed national and international organizations such as Greentech, Golden Peacock Foundation, FAI, etc. who are working to encourage implementation of strategies for improvement in EHS standards:

- Greentech Safety Award 2006 (Gold Award);
- Greentech Environment Excellence Award 2005 – Gold Award;
- Golden Peacock Environment Management Award (GPEMA) – 2005.

(c) Health & Hygiene

Your Company also accords a very high priority to hygiene monitoring at work place and health assessment of all employees at site. Necessary training is imparted to the employees to enhance their awareness towards health related matters.

In this regard Comprehensive Work Environment Monitoring was carried out in your Company by BHEL team.

A well placed medical centre at your Company works round the clock to provide medical assistance to

employees, contractors, their families and community. Inside the plant regular work environment monitoring is done to prevent any occupational disease. The Company's doctor conducts regular health awareness programmes.

The employees with any exposure to Occupational Health Hazards (OHH) are identified and continually monitored by regular occupational health check ups like Audiometry and Spirometry (Lung Function Test).

A team of experts from Central Labour Institute, Mumbai conducted ergonomics study at the company offices.

Well-defined Onsite Disaster Management Plan & flip chart is available in the factory, which clearly defines the duties of all the employees during emergency. Regular mock drills are conducted to check the emergency preparedness in-house as well as with local administration.

8. 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.

9. 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 Limited and Calcutta Stock Exchange. 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 Limited for the year 2006-07.

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

10. Fixed Deposits

As on March 31, 2006 your Company had 3,248 depositors with fixed deposits of Rs. 945.45 Lacs. 143 depositors have not claimed their Fixed Deposit amount of Rs. 33.83 Lacs as on that date. However, 10 depositors



have since claimed/ renewed their deposits of Rs. 1.50 Lacs. The remaining depositors are being advised at regular intervals to claim their deposits.

11. 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".

12. Corporate Social Responsibility

Your Company is deeply committed towards improving the quality of life and infrastructure in the rural area around its plant at Gadepan. Besides the ten villages that are in its core area, a number of other villages have benefited. Improvement in rural infrastructure has been made by taking care of village roads, construction of class rooms and boundary walls around schools, pebbled roads within villages, tube wells, hand pumps and drinking water facilities. All these address the basic needs of the villages.

Health care has been an area of priority. The wives of employees of your Company have initiated a unique mobile health care programme where lady volunteers accompany a medical team each day to provide free medical aid and medicines to villagers. Periodic blood and eye camps are organized and basic awareness and training on hygiene and preventive care have contributed to better living conditions in the area. Ambulance service in an emergency and the Health Centre within the campus are open twenty four hours a day for those in need. Art, culture and sports are also promoted through sponsorship round the year.

Your Company supports Ritinjili, an NGO that is helping children studying in government schools located in villages by training teachers and educating children through a special curriculum specially designed for them. Ritinjili runs the programme through people participation, volunteerism and in consultation with the State Department of Education.

13. Directors

Out of 9 non executive directors, 3 directors namely Mr. Marco Wadia, Mr. D. Basu and Mr. A.J.A. Tauro 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 this Report as Annexure E.

14. Auditors

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

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

15. 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" and "G", respectively.

16. Directors Responsibility Statement

Your Directors hereby report:

- that in the preparation of annual accounts, the applicable accounting standards have been followed alongwith proper explanation relative to material departures.
- 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, 2006 and of profit and loss account for the period ended March 31, 2006.
- 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.

17. 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.

18. 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
May 13, 2006

K.K. Birla
Chairman