



**CHAMBAL FERTILISERS
AND CHEMICALS LIMITED**

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**TWENTY THIRD ANNUAL REPORT
2007-08**

DIRECTORS

Dr. K. K. Birla
Chairman

S.K. Poddar
Co-Chairman

H.S. Bawa
Vice Chairman

Anil Kapoor
Managing Director

R.N. Bansal

Dipankar Basu

Shyam S. Bhartia

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

A.J.A. Tauro

Marco Wadia

SECRETARY

M.S. Rathore

SENIOR EXECUTIVES

D.L. Birla
Executive President - BTM

Abhay Baijal
Vice President - Finance

Alok Dayal
Vice President - Corporate HR

Vinod Mehra
President - Operations

Arun Sharma
Executive President - India Steamship

V. Vijayshankar
Vice President - Strategic Planning

LEGAL ADVISORS

Crawford Bayley & Co.
Mumbai

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants

BRANCH AUDITORS

Singhi & Co.
Chartered Accountants

DEBENTURE TRUSTEE

Axis Bank Limited

BANKERS

Bank of Baroda
Axis Bank Limited
Allahabad Bank
Citibank N.A.
HDFC Bank Limited
ICICI Bank Limited
ING Vysya Bank Limited
Punjab National Bank
State Bank of Hyderabad
State Bank of India
State Bank of Mysore
State Bank of Patiala

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

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

Website : www.chambalfertilisers.in



NOTICE

NOTICE is hereby given that the Twenty Third Annual General Meeting of the members of the Company will be held at 1030 hours on Wednesday, September 10, 2008 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, 2008, 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 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 a special resolution:

"RESOLVED THAT pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including Whole Time Director(s) and/or Managing Director of the Company, options exercisable into not more than 41,62,000 equity shares of the Company of the face value Rs. 10 each under one or more Employee Stock Option Scheme(s) ("ESOP"), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authority; each option would be exercisable for one Equity share of a face value of Rs. 10 each fully paid-up on payment of the requisite exercise price to the Company.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger, sale of division, etc., if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 41,62,000 equity shares of the Company of the face value Rs. 10 each shall be deemed to be increased to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot equity shares upon exercise of options from time to time in accordance with the ESOP and such equity shares shall rank pari passu in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of equity shares to be allotted and the price of acquisition payable by the option grantees under ESOP shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things, as it may, in its absolute discretion, deem necessary, expedient or proper and to settle all questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of the resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the ESOP as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws."

By order of the Board

M. S. Rathore

Vice President – Legal

Corporate Communication & Secretary

New/Delhi
July 16, 2008

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. 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.

3. Book Closure

The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, August 1, 2008 to Wednesday, August 6, 2008 (both days inclusive).

4. Payment of Dividend

The Dividend on Equity Shares for the year ended March 31, 2008, 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 August 6, 2008, after giving effect to all valid share transfer documents lodged with the Company on or before Thursday, July 31, 2008; and

- (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 Thursday, July 31, 2008.

The Members are hereby informed that the Company would transfer the dividends, which remain unclaimed for 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
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	25.11.12
2005-06	25.08.06	27.09.13
2006-07	24.08.07	24.09.14

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 their requests for payment of unpaid dividend pertaining to the years 2000-01 through 2006-07 to our Share Transfer Agent at New Delhi for issue of cheques/demand drafts before the due dates for transfer to the IEP Fund.

Investors holding physical shares are advised to forward the particulars of their bank account, name, branch and address of the bank to our Share Transfer Agent immediately, if not sent already, so as to enable them to incorporate such details on dividend warrants.

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.

5. Company on the Net

The website of your Company is www.chambalfertilisers.in where you can 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.chambalfertilisers.in/InvestorServiceCentre.html>.

6. 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 - 46581300, 41697900
Fax : 011 - 26465218, 26413391
E-mail : isc@chambal.in

7. Members are requested to:

- 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;
- bring their copy of the Annual Report at the meeting, and
- send their e-mail address to us for prompt communication.

8. 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 Auditors' Report of its subsidiary companies. However, the Company will make available the Annual Accounts of its subsidiaries along with relative detailed information upon request by investors of the Company or its subsidiaries.

Further, the Company has been granted exemption vide Notification No. 46/141/2008-CL-III -dated May 30, 2008 of the Ministry of Company Affairs, Government of India, from the disclosure of quantitative details (in respect of the Shipping Division of the Company for the Financial Year ended March 31, 2008) in compliance of paragraph 4-D (a), (b), (c) and (e) of Part II of Schedule VI to the Companies Act, 1956 as amended vide Notification No. GSR 494(E) dated October 30, 1973.

9. Pick-up Coach Facility

For the convenience of members intending to attend the Company's Annual General Meeting (AGM) scheduled to be held at 1030 hours on September 10, 2008, 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 will 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

M. S. Rathore

Vice President - Legal

Corporate Communication & Secretary

New Delhi
July 16, 2008

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

Item No. 8

The Company appreciates the critical role people play in the organizational growth. It strongly feels that the value created by its people should be shared by them. To promote the culture of employee ownership, the Board of Directors have approved introduction of Employees Stock Option Scheme (hereinafter referred to as "Scheme"), subject to the approval of the shareholders and the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines"). The Board of Directors has constituted a compensation committee comprising of a majority of independent directors (hereinafter referred to as "Compensation

Committee") to formulate the detailed terms and conditions of the Scheme and to implement and administer the Scheme.

The approval of the shareholders is, therefore, being sought for issue of stock options to the employees of the Company.

The main features of the employee stock option scheme are as under:

1. Total number of options to be granted:

A total number of options equal to 41,62,000 equity shares of the Company of the face value of Rs. 10 each would be available for being granted to eligible employees of the Company under Scheme. Each option when exercised would be converted into one Equity share of Rs. 10 each fully paid-up.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

SEBI Guidelines require that in case of any corporate action(s) such as rights issues, bonus issues, merger, sale of division, etc., a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 41,62,000 equity shares of the Company of face value Rs. 10 each shall be deemed to be increased to the extent of such additional equity shares issued.

2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):

All permanent employees of the Company in its Fertilizer Division, including the Whole Time Director(s) and/or Managing Director of the Company but excluding the promoters of the Company, as may be decided by the Compensation Committee from time to time, would be entitled to be granted stock options under the Scheme.

3. Transferability of employee stock options:

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting, period of vesting and maximum period within which the options shall be vested:

The Options granted shall vest so long as the employee continues to be in the employment of the Company. The Compensation Committee may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The options would vest not earlier than one year and not later than five years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options.

5. Exercise Price:

The options would be granted at an exercise price equal to 70% of the average of the daily high and low prices of the equity shares of the Company (at Bombay Stock Exchange or National Stock Exchange, as determined by the Compensation Committee) during the three complete calendar months immediately preceding the date on which the Compensation

Committee finalizes the specific number of options to be granted to the employees.

6. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of the respective options.

The options will be exercisable by the employees by a written application accompanied by payment of exercise price to the Company. The options will lapse if not exercised within the specified exercise period.

7. Appraisal Process for determining the eligibility of the employees to the Scheme:

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee, and will be based on criteria such as role / designation of the employee, past performance record, future potential of the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

8. Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to any specific employee under the Scheme shall be less than 0.1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options. In aggregate, the options granted would not exceed the overall limit of 41,62,000 equity shares of the Company of the face value of Rs. 10 each.

9. Disclosure and Accounting Policies:

The Company shall comply with the accounting policies prescribed under Clause 13.1 of the SEBI Guidelines and all other disclosure requirements and accounting policies prescribed under the SEBI Guidelines and other applicable laws and regulations.

10. Method of option valuation

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

The difference between the employee compensation cost computed using the Intrinsic Value of the stock options and the employee compensation cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option schemes provide for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and as per clause 6 of the SEBI Guidelines.

The options to be granted under the Scheme shall not be treated as an offer or invitation made to the public for subscription in the securities of the Company.

Mr. Anil Kapoor, Managing Director of the Company, is interested in the resolution to the extent of options or equity shares that may be offered to him under Scheme. None of the other Directors of the Company is, in any way, concerned or interested in the resolution.

The Board commends the resolution for your approval.

By order of the Board

M. S. Rathore

Vice President - Legal
Corporate Communication & Secretary

New Delhi
July 16, 2008

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 23rd Annual Report together with audited accounts for the financial year ended March 31, 2008.

1. Financial Results and Appropriations

(Rs. in crore)		
Particulars	2007-08	2006-07
(a) Turnover (excluding excise duty)	2720.13	2591.31
(b) Gross Profit after Interest but before Exceptional Items, Depreciation and Tax	428.85	385.56
(c) Depreciation	184.94	176.60
(d) Profit before Exceptional Items and Tax	243.91	208.96
(e) Exceptional items	24.17	8.67
(f) Profit before Tax	268.08	217.63
(g) Provision for Current Tax	94.40	92.71
(h) Provision for Deferred Tax	(31.89)	(27.83)
(i) Fringe Benefit Tax	1.26	1.23
(j) Provision for Tonnage Tax	0.51	0.39
(k) Profit after Tax	203.80	151.13
(l) Balance of Profit Brought Forward	401.92	399.67
(m) Transitional Provision of Accounting Standard – 15 (Revised) (Net of deferred tax)	-	(2.53)
(n) Transferred from Debenture Redemption Reserve	39.82	10.29
(o) Profit available for Appropriation	645.54	558.56
(p) Appropriations:		
• Debenture Redemption Reserve	-	34.99
• Tonnage Tax Reserve	16.00	9.00
• General Reserve	25.00	25.00
• Proposed Dividend on Equity Shares	74.92	74.92
• Tax on Dividend	12.73	12.73
(q) Balance Carried Forward to Balance Sheet	516.89	401.92

2. Dividend

The Board recommends dividend @18% on equity shares of Rs. 10 each (Previous Year – 18%). The total outgo on this account will be Rs. 87.65 crore including dividend tax.

3. De-bottlenecking of Fertiliser Plants

Your company had initially envisaged 25% increase in the capacity of both the fertilizer plants at Gadepan through de-bottlenecking schemes. The Government has not yet announced the policy for future investments in new and de-bottlenecking projects. In view of this, the Company has decided to implement the partial de-bottlenecking of the plants which will result in energy saving and marginal Urea capacity increase. The Scheme is financially viable. The project is under implementation and expected to go on stream by April 2009.

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.

The Food Processing Unit of the Company was disposed off during the year.

5. Joint Ventures and Associates

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

During the year 2007, IMACID produced 422,229 MT of Phosphoric Acid (P_2O_5) at a daily average plant rate of 1,355 MTPD. Sales during the period were 421,653 MT of Phosphoric Acid.

IMACID earned cash profit of MAD 477.5 million (Rs. 2465.30 million) (net of tax) during the year 2007 as against MAD 295.8 million (Rs. 1551.91 million) in 2006. The Increase in cash profit for 2007 is mainly on account of higher production and sales of Phosphoric Acid and lower fixed cost. IMACID achieved higher production mainly on account of capacity increase from 365,000 MT to 430,000 MT of Phosphoric Acid. The other achievements of the Company during the year were continuous 1,311 days accident free operation, new record of continuous operation of sulphuric acid plant for 96 days against previous best of 53 days and better availability of captive power plant.

IMACID prepaid all long term debt during the year, thus becoming a debt free company.

(ii) Zuari Investments Limited

Zuari Investments Limited (a joint venture between Zuari Industries Limited and Chambal Fertilisers and Chemicals Limited) is a member of both National Stock Exchange of India (NSE) and Bombay Stock Exchange Limited (BSE) for equity as well as Futures & Options (F&O) segment. It is depository participant with National Securities Depository Limited and Central Depository Services (India) Limited. Besides being empanelled with Association of Mutual Fund of India for distribution of Mutual Fund products, the company is also a member of Over the Counter Exchange of India (OTCEI) and a Category-II Registrar and Share Transfer Agent registered with Securities and Exchange Board of India.

Zuari Investments plans to enter into Commodity Broking to complete its bouquet of Financial Services and to become a one stop shop for Stock Broking, Depository Services, Investment Advisory Services, Insurance Broking Services and Commodity Broking Services and is fully poised to reap the benefits of a buoyant capital market.

During the financial year 2007-08, the income of Zuari Investments Limited from various services was Rs. 881 lac and cash profit was Rs. 256 lac.

6. Subsidiaries

(i) Chambal Infrastructure Ventures Limited

Chambal Infrastructure Ventures Limited is a Special Purpose Vehicle and a wholly owned subsidiary of your Company. This subsidiary is engaged in development and setting up of power projects. It has in turn incorporated two wholly owned subsidiaries viz. Chambal Energy (Chhattisgarh) Limited and Chambal Energy (Orissa) Limited for taking up power projects in the states of Chhattisgarh and Orissa respectively.

Chambal Infrastructure Ventures Limited has signed a Memorandum of Understanding with Government of Chhattisgarh on February 1, 2008 for setting up of

1100 MW Thermal Power Plant. Application for setting up Thermal Power 2r Plant of 1200 MW in the State of Orissa is pending for approval.

(ii) **CFCL Overseas Limited, Cayman Islands**

CFCL Overseas Limited was incorporated as a Special Purpose Vehicle and wholly owned subsidiary of your Company for consolidation of its entire software business. As on date, the total investment of your Company in CFCL Overseas stands at US\$ 46.375 million.

The entire software business was restructured during the year 2006-07 and the Company's stake in software business was transferred to CFCL Overseas Limited or its subsidiaries. CFCL Technologies Limited is a flagship company for software business and also a subsidiary of aforesaid Special Purpose Vehicle.

As a part of overall restructuring and business plan, main focus of software business has shifted from a general purpose IT service company to Mortgage related IT business company. The business growth was envisaged mainly through inorganic growth and by bringing in strategic investors who have expertise in this field.

As a part of this road map, the software business acquired Dynatek Inc., U.S.A. and Inuva Info Management Pvt. Limited, India during the year and brought on the board New Enterprise Associates, U.S.A. as a strategic investor. These alliances will help the business greatly in achieving its plan. The business is expected to show improved performance during the current financial year.

During the year, on consolidated basis, software business earned revenues of US\$ 28.1 million and incurred EBITDA loss of US\$ 2 million.

(iii) **India Steamship Pte. Limited, Singapore**

India Steamship Pte. Limited, a wholly owned subsidiary of your Company, was incorporated in Singapore in the year 2006-07, considering the favourable tax regime in Singapore. Certain activities of shipping business are carried out through this subsidiary. This company commenced its operations through operating tonnage and confined the operations East of Suez for lower risk profile.

Despite the extreme volatility experienced in the tanker segment and lower freight rate for most part of the year, India Steamship, Singapore has posted a reasonable performance during the year by earning a revenue of US\$ 9.73 million with a net profit of US\$ 63,380.

(iv) **Chambal Biotech Pvt. Limited, Singapore**

Chambal Biotech Pvt. Limited was a Special Purpose Vehicle of your Company for its investments in Seed Potato Business. Chambal Biotech had sold in August 2007 its entire holding in Technico Pty. Limited, Australia to M/s. Russell Credit Limited (a subsidiary of M/s. ITC Limited). As entire downstream investments were sold by Chambal Biotech, it has applied to Accounting & Corporate Regulatory Authority, Singapore to strike off its name from the register as per the provisions of the Companies Act of Singapore.

Your Company has applied for approval of the Government of India, seeking exemption under section 212(B) 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 its 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 or its subsidiaries.

7. Environmental Protection, Health and Safety

(a) Environment Management

Your Company has established and maintained an Integrated Management System (for Environmental, Occupational Health & Safety and Quality) based on ISO-14001: 2004 and OHSAS-18001: 2007 and ISO-9001:2000.

i) **Sustainable Development** - Your Company is totally committed to sustainable development and has completed various environment programmes keeping the global issues in mind, viz. Rain Water Harvesting, Ground Water Recharging, Energy Conservation measures, Pollution Control, Use of Solar Energy, etc.

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

ii) **Waste Management** - Your Company is managing well designed and operated programmes / treatment facilities to control pollution. Major thrust is on 3R concept (Reduce, Re-use and Re-cycle) of the effluents being generated. As a result, more than 98% of the effluents are recycled in the processes.

Waste water is being recycled and used in maintaining a green belt through a 35 kilometer long irrigation network spread all over the complex, which in turn helps in saving fresh water. The Company's lush green campus at Gadepan has an environment which consists of fully developed green belt, gardens, lawns, shrubs and landscaping. This is considered as one of the most beautiful industrial campuses in Rajasthan. Your Company has adopted best practices to manage Solid / Hazardous Waste disposal after proper categorization. Saleable items are sold to the approved recyclers. The use of polythene bags in the Gadepan campus is strictly prohibited.

iii) **Green belt and water consumption**- The area surrounding Gadepan complex is experiencing a positive change in Ecology due to development of a dense green belt/ forest inclusive of over 2.27 lac trees in an area of about 213 hectares under a programme named "Operation Green". This has provided habitat to more than 100 species of birds. Water consumption is optimized through

implementation of various conservation schemes. The trend of consumption shows a continual improvement. During the year, the specific consumption of water was 5.18 cubic meter per MT of urea being one of the lowest in the Fertilizer Industry.

The Company has also taken up a project of implementation of rain water recharging of wells at different locations around the township in Gadepan in a phased manner.

(b) Safety Management

Safety is accorded the highest priority in your Company. A strong safety and occupational-health programme is in place to ensure the safety of men and machine. Your Company has completed 238 days safe operations without any reportable accidents till April 2008.

Your company has initiated action to implement Process Safety Management System based on 29 CFR 1910.119 developed by OSHA of USA in its operations. It shall help in preventing serious process related incidences which can cause loss of property and release of hazardous gases.

As a management commitment towards safety of employees, their families and contract workforce, the township at Gadepan, has obtained OHSAS-18001:2007 certification.

Your Company has received '5-star rating' of British Safety Council for its Occupational Health & Safety Management System at Gadepan.

Your company has also taken following safety measures as a part of safety campaign:

- Quiz competitions, the screening of video films, slogan contests, safety exhibitions, etc., particularly during Safety Week and Fire Week every year.
- Reporting and recording of all near-miss incidents by both Company and contractors' employees to enable the Company in preventing accidents and in identifying root causes.
- Rewards for completion of every two million man hours without Loss Time Injury, Safe Turn Around and Near Miss Reporting.

i. Emergency Handling

Your Company has a well-defined Onsite Disaster Management Plan in the factory at Gadepan, 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. A formal "Mutual Aid Scheme" with NTPC-Anta is also in place for the emergency handling.

ii. EHS Audits

Apart from periodic internal audits, external audits are also carried out as per schedule. The gaps identified in the audits are corrected through an action plan.

iii. Behavior-based safety

Our Company has planned extensive training program on Behavior Based Safety as it emphasizes

that employees need to take an ownership for their safe as well as their unsafe behaviors.

(c) Health & Hygiene

Your Company also accords high priority to hygiene monitoring at work place and employees' health assessment. The plant and processes are continuously upgraded to improve hygiene and health standards. Necessary training is imparted to the employees and other workers to enhance their awareness towards health related matters.

A well placed medical centre at your company works round the clock to provide Health Services to employees, contractors, their families and community. Company medical officer conducts regular health awareness programs.

Comprehensive Work Environment Monitoring is carried out in-house as well as through external agencies on regular basis to prevent any occupational disease.

(d) Achievements

Your Company received the following awards for improvement in EHS standards:

- Sword of Honour Award from British Safety Council for the Year 2007.
- Gold Safety Award from Green Tech Foundation for Occupational Health & Safety Management System for the year 2007.

8. Corporate Social Responsibility

Your Company is committed towards the development of rural infrastructure and to help improve the quality of life in the villages in the vicinity of the plant at Gadepan. Since 1994, your Company has taken a number of initiatives in this area in consultation with local administration at the village & block levels for the community. Your company has paid special attention for providing the basic amenity of drinking water in the villages through installation of new tube wells and hand pumps and regular upkeep of the existing ones. More pebbled roads, gravel roads and culverts over nalahs were built in the surrounding villages.

The drive to provide infrastructure for elementary education in government schools continues and some more class rooms were constructed and boundary walls erected. The Company is also motivating school going children in villages by providing school uniforms, woolen clothes and scholarship to meritorious students. Free mid-day meals are being provided to students at the CFDAV School at Gadepan.

Your Company has been working closely with the District Administration to provide monitory support when the occasion demands for Cultural, Social and Sports activities. Health Care has been an area of priority. The Health Centre in the plant area provides 24 hours OPD facilities to all nearby villagers. In addition to this, in the event of any serious accidents, ambulance facilities are also provided to villagers for shifting of the patients to District Hospitals at Kota / Anta.

A Mobile Health Care Unit has been started, whereby a Medical Team visits 2-3 villages regularly for providing medical care and to distribute free medicines to the villagers. Periodic Blood Camps, Eye Camps, General Health and Hygiene Camps and Family Planning Camps are organized for the benefit of villagers.

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.

There is limited scope for conservation of energy in Shipping Division 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 of your Company located at New Delhi, continues to provide prompt investor service through quick resolution of investor grievances. The motto of 'high investor satisfaction' is being pursued through pro-active actions like reminders, reaching out to investors at the earliest, etc.

The securities of your Company are listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited. The Company has paid annual listing fees to these Stock Exchanges for the year 2008-09. Pursuant to our application for voluntary de-listing in December 2003, Calcutta Stock Exchange has granted approval for voluntary delisting of the shares of the Company vide its letter dated May 7, 2008.

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, 2008, your Company had 733 depositors with fixed deposits of Rs. 217.80 lac. 96 depositors have not claimed their Fixed Deposit amount of Rs. 24.43 lac as on that date. However, 30 depositors have since claimed/ renewed their deposits of Rs. 8.98 lac. 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. Directors

The Board has nine non-executive directors and a Managing Director. Three 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 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, 2008 and of profit and loss account for the period ended March 31, 2008.
- 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, associates 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
K. K. Birla
Chairman

New Delhi
May 15, 2008

Annexure "A" to Directors' Report
Disclosure of Particulars with respect to Conservation of Energy

- a) **Energy conservation measures taken**
- Use of washing column off gases of Urea-I Plant as Primary reformer fuel in Ammonia-I Plant.
 - Installation of control valve in refrigeration compressor to avoid recycling in Ammonia-II plant.
 - Installation of Lube oil accumulators in Urea-I, Urea-II & Ammonia-II Plant compressors to enhance stability/reliability.
 - Installation of variable frequency drives in various motors in Gadepan-I & Gadepan-II Plants.
 - Replacement of GSL (General lighting service) with CFL (Compact Fluorescent Lamp) at various locations in township.
- b) **Additional investments and proposals, if any, being implemented for reduction of consumption of energy;**
Your Company has taken up a major project for energy conservation & partial de-bottlenecking for both Gadepan-I & II plants. The project is under implementation and is scheduled for commissioning by April 2009.
- c) **Impact of the measures at (a) and (b) above for the reduction of energy consumption and consequent impact on the cost of production of goods**
The energy conservation project will result in reduction of energy by 2 to 3%.
- d) **Total energy consumption and energy consumption per unit of production**
As per Form 'A' given below:

FORM "A"

Particulars	Unit	Current Year	Previous Year
A. POWER & FUEL CONSUMPTION			
1. Electricity			
a) Purchased			
Quantity	MWH	89,393.48	73,720.59
Total Amount	Rs. Lac	2832.63	2205.91
Rate/Unit	Rs. / KWH	3.17	2.99
b) Own Generation			
i) Through diesel generator			
Quantity	MWH	6,290.21	1,658.21
Unit per KL of Furnace oil	KWH	4.05	3.40
Unit per KL of HSD	KWH	3.50	3.60
Cost/unit	Rs./KWH	6.39	8.73
ii) Through Steam turbine / generator			
Quantity	MWH	160,073.44	156,521.45
Unit per SM ³ of Gas	KWH/SM ³	2.57	2.53
Cost/unit	Rs./KWH	2.62	2.43
2. Coal (specify quality and where used)			
Quantity	KG	N.A	9,600.00
Total Cost	Rs. Lac	N.A	1.20
Average Rate	Rs./Kg	N.A	12.44
3. Furnace oil			
Quantity	KL	1,292.68	1,477.79
Total cost	Rs. Lac	303.92	294.95
Average Rate /Unit	Rs./KL	23,510.94	19,958.73
4. OTHERS/INTERNAL GENERATION			
a) Natural Gas (Ammonia-Fuel, Power & Steam)			
Quantity	1000SM ³	479,396.64	479,396.64
Total cost	Rs. Lac	35013.77	35013.77
Average Rate /Unit	Rs./1000SM ³	7,303.72	7,303.72
b) Naphtha (Ammonia-Fuel, Power & Steam)			
Quantity	MT	48,201.07	48,475.44
Total cost	Rs. Lac	16862.74	14223.35
Average Rate /Unit	Rs./MT	34,984.16	29,341.35
c) HSD			
Quantity	KL	356.39	461.62
Total cost	Rs Lac	101.11	139.57
Average Rate /Unit	Rs./KL	28,371.70	30,234.25
B. CONSUMPTION PER MT OF UREA PRODUCTION:			
1. Electricity (Incl. Internal consumption)	KWH/MT	83.58	85.13
2. Natural Gas (Ammonia-Fuel, Power & Steam)	SM ³ /MT	226.22	248.95
3. Naphtha (Ammonia-Fuel, Power & Steam)	KG/MT	24.10	25.17
C. CONSUMPTION PER MT OF YARN PRODUCTION:			
1. Electricity (Incl. Internal consumption)	KWH/MT	4,415.05	4,614.19
2. Furnace Oil	KL/MT	0.07	0.10
3. HSD	KL/MT	0.01	0.10
D. CONSUMPTION PER MT OF FROZEN VEGETABLE PRODUCTION:			
1. Electricity (Incl. Internal consumption)	KWH/MT	7,513.18	680.95
2. HSD	KL/MT	0.33	0.07