



**CHAMBAL FERTILISERS
AND CHEMICALS LIMITED**



Enriching land, Transforming lives

Annual Report
2009-10

CONTENTS

Notice	02	Cash Flow Statement	34
Directors' Report	06	Schedules to Financial Statements	35
Auditors' Certificate on Corporate Governance	16	General Business Profile	62
Report on Corporate Governance	17	Consolidated Auditors' Report	65
Management Discussion and Analysis Report	27	Consolidated Balance Sheet	66
Auditors' Report	30	Consolidated Profit & Loss Account	67
Balance Sheet	32	Consolidated Cash Flow Statement	68
Profit & Loss Account	33	Consolidated Schedules to Financial Statements	69

DIRECTORS

S.K. Poddar
Chairman

Shyam S. Bhartia
Co-Chairman

H.S. Bawa
Vice Chairman

Anil Kapoor
Managing Director

R.N. Bansal

Dipankar Basu

K.N. Memani

C.S. Nopany

Radha Singh

Marco Wadia

SENIOR EXECUTIVES

Abhay Baijal
Vice President – Finance

A.K. Bhargava
Vice President – Operations

D.L. Birla
Executive President – BTM

Vinod Mehra
President – Operations

M.S. Rathore
Vice President – Legal,
Corporate Communication & Secretary

Arun Sharma
Executive President – India Steamship

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants

BRANCH AUDITORS

Singhi & Co.
Chartered Accountants

DEBENTURE TRUSTEE

Axis Bank Limited

Registered Office: Gadepan, Distt. Kota, Rajasthan, PIN- 325 208
Corporate Office: "Corporate One" 1st Floor, 5, Commercial Centre, Jasola, New Delhi-110 025
Website: www.chambalfertilisers.in

Tel : 011 – 46581300, 41697900 • Fax : 011 – 40638679

NOTICE

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the members of the Company will be held at 1030 hours on Friday, August 27, 2010 at the Registered Office of the Company at Gadepan, District Kota, Rajasthan, to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2010, Profit & Loss Account for the year ended on that date and reports of Directors and Auditors.
2. To consider declaration of dividend on Equity Shares.
3. To appoint a director in place of Mr. Saroj Kumar Poddar, who retires by rotation and is eligible for re-appointment.
4. To appoint a director in place of Mr. Shyam Sunder Bhartia, who retires by rotation and is eligible for re-appointment.
5. To appoint M/s. S. R. Batliboi & Co., Chartered Accountants, as Statutory Auditors of the Company and fix their remuneration.
6. To appoint M/s. Singhi & Co., Chartered Accountants, as Branch Auditors for Shipping Business of the Company and fix their remuneration.

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:
"RESOLVED THAT Mr. Kashi Nath Memani be and is hereby appointed as Director of the Company liable to retire by rotation."
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 Sections 198, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof for the time being in force and Article 121(2) of the Articles of Association of the Company, consent of the Company be and is hereby accorded for payment of commission upto Rs. 4,00,000 per annum to each of the Independent Directors of the Company for a period of 5 (five) years starting from the financial year 2010-11, provided that the total commission payable to all Independent Directors shall not exceed one percent of the net profits of the Company as computed in the manner referred to under the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof for the time being in force."
9. 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, the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("**SEBI Guidelines**") as amended from time to time and other applicable rules and regulations, prescribed by the Securities and Exchange Board of India or any other authority from time to time, listing agreement(s) entered into by the Company with the stock exchanges where the securities of the Company are listed and subject to such other approvals, consents, permissions and sanctions, as may be applicable, including such conditions and modifications as

may be prescribed or imposed while granting such approvals, consents, 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 of the Board including Compensation Committee which the Board has constituted to exercise its powers) to create, offer, issue and grant/ allot, at any time, a maximum of 41,62,000 employees stock options to such eligible employees (as defined under the CFCL Employees Stock Option Scheme 2010 ("**ESOS 2010**")) of the Company as determined by the Board and/ or the Compensation Committee, each option convertible into one fully paid-up equity share of the Company having a face value of Rs. 10, at such price, in such manner, during such period in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the ESOS 2010.

RESOLVED FURTHER THAT the consent of the Company be and is hereby given to the ESOS 2010, a draft of which is available at the Registered Office of the Company for inspection by members on any working day during office hours of the Company and the Board be and is hereby authorised to do all such acts to bring ESOS 2010 into effect.

RESOLVED FURTHER THAT the Board be and is hereby authorised on behalf of the Company to make any modifications, changes, variations, alterations or revisions in the ESOS 2010 from time to time or to suspend, withdraw or revive the ESOS 2010 from time to time as may be specified by any statutory authority or otherwise and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose including for the purpose of giving effect to any creation, offer, issue, allotment or listing of the shares, in conformity with the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT the shares to be offered to the eligible employees (the option holders) on exercise of the employees stock options would be by way of either a) subscription of shares of the Company by such employees or b) transfer of shares to such employees by a trust constituted or to be constituted by the Board (which shall either buy shares from the secondary market or directly subscribe the shares of the Company).

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

RESOLVED FURTHER THAT no single eligible employee shall be granted options under the ESOS 2010 entitling such employee to equity shares in the Company which would represent more than 0.1% of the paid-up share capital of the Company as on the date of grant of options;

RESOLVED FURTHER THAT the equity shares, if any, issued/ allotted upon exercise of options from time to time in accordance with the ESOS 2010, 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 and the price of acquisition payable by the holders of options under ESOS 2010 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 option holders;

RESOLVED FURTHER THAT the Compensation Committee of the Board be and is hereby authorized to administer and implement ESOS 2010, settle any question and remove any difficulty in this connection and to do all other acts, deeds and things, as it may deem fit and proper from time to time;

RESOLVED FURTHER THAT the Board, if required, be and is hereby authorized to take necessary steps for listing of the equity shares upon exercise of the options on the stock exchanges where the equity shares of the Company are listed in conformity with the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and the listing agreements with the concerned stock exchanges."

By order of the Board

M. S. Rathore

Vice President – Legal,

New Delhi
July 12, 2010

Corporate Communication & 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. Explanatory Statement

The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, relating to the items of the special business is given below and forms part hereof.

3. Directors proposed to be re-appointed

M/s. S. K. Poddar and S. S. Bhartiya, directors are retiring by rotation and eligible for re-appointment. Members may kindly refer "Report on Corporate Governance" (Annexure 'E' to Directors Report) for their details.

4. Book Closure

The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, August 3, 2010 to Thursday, August 5, 2010 (both days inclusive).

5. Payment of Dividend

The Dividend on Equity Shares for the year ended March 31, 2010, 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 5, 2010, after giving effect to all valid share transfer documents lodged with the Company on or before Monday, August 2, 2010.
- (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, August 2, 2010.

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
2002-03	12.09.2003	16.10.2010
2003-04	20.08.2004	19.09.2011
2004-05	20.10.2005	25.11.2012
2005-06	25.08.2006	27.09.2013
2006-07	24.08.2007	24.09.2014
2007-08	10.09.2008	10.10.2015
2008-09	20.08.2009	20.09.2016

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 IEP Fund.

In view of the above, the shareholders are advised to send their requests for payment of unpaid dividend pertaining to the years 2002-03 through 2008-09 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 shares in physical form 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. These investors are advised to opt for Electronic Clearing System (ECS) at the earliest to avail fast and safe remittance of dividend and return the Mandate Form attached herewith, accurately filled in 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.

6. 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.asp>.

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
Corporate One, First Floor, 5, Commercial Centre, Jasola,
New Delhi – 110 025

Tel : 011 – 46581300, 41697900
Fax : 011 – 40638679
E-mail : isc@chambal.in

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. The Company has been granted exemption vide Notification No. 46/101/2010-CL-III dated May 17, 2010 of the Ministry of Corporate 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, 2010) 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.

10. 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 August 27, 2010, 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.

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

Item No. 7

The Board of Directors, at its meeting held on July 21, 2009, appointed Mr. Kashi Nath Memani as Director of the Company with immediate effect to fill the casual vacancy caused by the resignation of Mr. M. D. Locke. Pursuant to Section 262 of the Companies Act, 1956 read with Article 119 of the Articles of Association of the Company, Mr. Memani holds the office until the forthcoming Annual General meeting of the Company. A notice has been received from a member under section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

Mr. Memani is a Chartered Accountant. He was Chairman and Country Managing Partner, Ernst & Young, India until 31st March 2004. He was also member of Ernst & Young Global Council for 10 years. Mr. Memani specializes in Business and Corporate Advisory, Foreign Taxation, Financial Consultancy etc. and is consulted on the corporate matters by several domestic and foreign companies.

Mr. Memani is the past Chairman of American Chamber of Commerce in India and former President of Indo American Chamber of Commerce & PHD Chamber of Commerce. He was also member of various committees of both Indian and International institutions.

Mr. Memani is not holding any shares of the Company as on June 30, 2010. Other details of Mr. Memani in terms of Clause 49 of the Listing Agreement are provided in the Report on Corporate Governance (Annexure 'E' to Directors Report).

None of the Directors except Mr. Memani, is concerned or interested in the Resolution.

The Board commends the appointment of Mr. Kashi Nath Memani as Director of the Company.

Item No. 8

In order to appropriately remunerate the Independent Directors commensurate with the increased responsibilities, time and effort put in by them and also in line with the industry trend, the Board of Directors of the Company has recommended to the members of the Company for their approval, payment of commission upto Rs. 4,00,000 (Rupees Four Lac only) per annum for a period of 5 years starting from the financial year 2010-11, to each of the Independent Directors.

The aggregate commission payable to all Independent Directors at any time, shall not exceed one percent of the net profits of the Company computed in the manner referred to under the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof and shall be paid in addition to the sitting fee payable to them for attending meetings of the Board and Committee thereof.

In pursuance of section 309 of the Companies Act, 1956, the payment of commission requires approval of the members by way of a special resolution. Further, as the payment of commission in addition to sitting fee may be construed as an increase in remuneration, such payment may also require approval of Central Government under section 310 of the Companies Act, 1956.

M/s. D. Basu, R. N. Bansal, K. N. Memani, Marco Wadia and Ms. Radha Singh, being Independent Directors, are interested in the Resolution. None of the other Directors is concerned or interested in the Resolution.

The Board commends the Resolution for approval of the shareholders.

Item No. 9

The Company appreciates the critical role the employees 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 shareholders of the Company at the Annual General Meeting held on September 10, 2008 had approved the issue of up to 41,62,000 stock options to the eligible employees of the Company. However, the Company did not pursue the said scheme further on account of high volatility in the stock market. Therefore, the Board had decided that the scheme approved by the shareholders in 2008 would not be pursued.

In light of the market practices, the Company now proposes to introduce a new scheme called CFCL Employees Stock Option Scheme, 2010 ("ESOS 2010") for grant of a maximum of 41,62,000 employees stock options to the eligible employees of the Company at market price, each option convertible into one fully paid-up equity share of the Company having a face value of Rs. 10. Further, the shares to be offered to the eligible employee (the option holder) on exercise of the employees stock options would be by way of either subscription of fresh shares of the Company (by the eligible employee) or transfer by 'CFCL Employees Welfare Trust' ("Trust") (which shall either buy shares from the secondary market or directly subscribe the shares of the Company). To enable the Trust to buy shares from the secondary market or directly subscribe the shares of the Company, the Company envisages providing financial assistance to the Trust.

The Compensation Committee constituted by the Board comprising of a majority of independent directors has finalized the ESOS 2010 which has been approved by the Board. The Board recommends the Resolution for approval by the shareholders.

The draft of ESOS 2010, as approved by the Board is available at the Registered Office of the Company for inspection by members

on any working day during office hours of the Company.

The Broad terms and conditions of ESOS 2010 are as under:

a) Total number of options to be granted:

- i) A maximum of 41,62,000 options would be available for grant to eligible employees of the Company under the ESOS 2010. Each option when exercised would be converted into one fully paid-up equity share having a face value of Rs. 10.
- ii) The 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.
- iii) In case of any corporate action such as rights issues, bonus issues, merger, sale of division, etc., a fair and reasonable adjustment would be made as per the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines"), to the options granted.

b) Identification of classes of employees entitled to participate in the ESOS 2010:

Following employees will be eligible to participate in the ESOS 2010:

- i) Employees of the Company in its Fertiliser Division who are at grade of Senior Manager and above.
- ii) Whole-time director(s)/ managing director(s) of the Company.

An employee who is a Promoter (as defined in the SEBI Guidelines); or belongs to the Promoter Group (as defined in the SEBI Guidelines) or a director, who either by himself or through his Relative or through any body corporate, directly or indirectly, holds more than 10 percent of the outstanding equity shares of the Company, shall not be eligible to participate in the ESOS 2010.

Compensation Committee shall grant options to the eligible employees based on the parameters evolved/ decided by it from time to time.

c) 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 stock option holder while in the employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

d) Requirements of vesting, period of vesting and maximum period within which the options shall be vested:

Options granted under ESOS 2010 would vest not earlier than one year and not later than five years from the date of grant of such options. Vesting of options would be a function of continued employment with the Company (passage of time) and achievement of performance criteria as specified by the Compensation Committee and communicated in the grant letter. The specific vesting schedule and conditions subject to which vesting would take place would be outlined in the grant letter given to the eligible employee at the time of grant of options.

Notwithstanding anything contained in the ESOS 2010, the Compensation Committee may not vest any of the options already granted or vest such lesser number of options already granted, in the event it is found that the stock option holder has not met the performance criteria specified in the grant letter or if there is any cause (such as professional misconduct, breach

of trust, negligence etc) in relation to that stock option holder.

e) Exercise Price:

The options would be granted at the market price i.e. the latest available closing price on the stock exchanges where the shares of the Company are listed, prior to the date of the meeting of the Compensation Committee in which the options are granted. As the shares of the Company are listed on NSE and BSE, the stock exchange where there is highest trading volume on the said date shall be considered.

f) 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/ Trust. The options will lapse if not exercised within the specified exercise period.

g) Appraisal Process for determining the eligibility of the employees to ESOS 2010:

The appraisal process for determining the eligibility of the employees under the ESOS 2010 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 or such other criteria that may be determined by the Compensation Committee at its sole discretion.

h) Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to an employee under the ESOS 2010 shall be less than 0.1% of the issued capital (excluding outstanding warrants and conversions) of the Company on the date of grant of stock options. In aggregate, the options to be granted would not be more than 41,62,000, each option convertible into one fully paid-up equity share having a face value of Rs. 10.

i) 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.

j) 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.

The other terms and conditions will be as per ESOS 2010.

Mr. Anil Kapoor, Managing Director may be deemed to be interested in the resolutions at item no. 9 to the extent of stock options that may be granted to him from time to time. None of the other Directors is concerned or interested in these resolutions.

By order of the Board

M. S. Rathore

Vice President – Legal,

Corporate Communication & Secretary

New Delhi

July 12, 2010

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 25th Annual Report together with audited accounts for the financial year ended March 31, 2010.

1. Financial Results and Appropriations

(Rs. in crore)		
Particulars	2009-10	2008-09
(a) Turnover (excluding excise duty)	3574.50	4595.54
(b) Gross Profit after Interest but before Exceptional Items, Depreciation and Tax	612.06	535.63
(c) Depreciation/Amortization	257.62	227.14
(d) Profit before Exceptional Items and Tax	354.44	308.49
(e) Exceptional items	4.37	9.61
(f) Profit before Tax	358.81	318.10
(g) Provision for Current Tax	129.62	104.09
(h) Provision for Deferred Tax	(20.49)	(18.44)
(i) Fringe Benefit Tax	-	1.12
(j) Provision for Tonnage Tax	0.63	0.77
(k) Profit after Tax	249.05	230.56
(l) Balance of Profit Brought Forward	628.43	516.89
(m) Transferred from Debenture Redemption Reserve	3.13	3.13
(n) Profit available for Appropriation	880.61	750.58
(o) Appropriations:		
• Tonnage Tax Reserve	3.75	9.50
• General Reserve	25.00	25.00
• Proposed Dividend on Equity Shares	79.08	74.92
• Tax on Dividend	13.13	12.73
(p) Balance Carried Forward to Balance Sheet	759.65	628.43

2. Dividend

The Board recommends dividend @ Rs. 1.90 per equity shares of Rs. 10 each (Previous Year – Rs. 1.80 per equity share). The total outgo on this account will be Rs. 92.21 crore including dividend tax.

3. Operations

The Company has three Businesses i.e. Fertiliser, Shipping and Textiles. The Fertiliser Business is by far the largest among the three businesses. The Fertiliser Business comprises of 'own manufactured Urea' and trading of phosphatic and potassic fertilisers as well as agri-inputs like seeds, pesticides, micro-nutrients, etc. The fertiliser plants have stabilized after partial de-bottlenecking. While Fertiliser business remained steady during 2009-10, Shipping and Textile businesses faced severe recessionary trends although Textile business was upbeat towards the year end. The performance of the Company as a whole was satisfactory.

The Company added one new ship during the year. With this addition, it has a total fleet of 6 Aframax tankers. The Shipping Business performed well considering the severe global downturn as it had long term charter contracts with the reputed parties for four of its ships.

The Textile Business achieved increase in revenues due to better realizations and change in product mix during the year.

The detailed information on all business segments of the Company and the respective industries are given in the Management Discussion and Analysis Report.

4. 'Management Discussion and Analysis' and 'Corporate Governance Report'

Management Discussion and Analysis and Corporate Governance Report are attached as Annexure – "G" and "E". Auditors' Certificate confirming compliance with the conditions of Corporate Governance is also enclosed as Annexure – "D".

5. Joint Ventures and Associates

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

IMACID plant remained inoperative from November 10, 2008 to March 4, 2009 due to high stock and non-remunerative sales price of Phosphoric acid. After start-up of the plant on March 5, 2009, overall performance of plant operation was satisfactory. During the Year 2009, production and sales of Phosphoric Acid were 359,656 MT and 369,996 MT respectively.

Total profit after tax was 35.09 Million MAD (Rs. 21.36 crore) in year 2009 as against MAD 250.64 Million (Rs. 142.66 crore) in the previous year. The decrease in profit is mainly on account of lower price realization and long plant shut down.

(ii) Zuari Investments Ltd.

Your Company has divested its entire holding in Zuari Investments Ltd. Accordingly, Zuari Investments ceased to be an associate of your Company.

6. Subsidiaries

(i) Chambal Infrastructure Ventures Ltd.

Chambal Infrastructure Ventures Ltd. ("CIVL") is a wholly owned subsidiary of your Company. This subsidiary was set up for development of Power projects. It had set up two wholly owned subsidiaries viz. Chambal Energy (Chhattisgarh) Ltd. and Chambal Energy (Orissa) Ltd. for taking up power projects in the states of Chhattisgarh and Orissa, respectively. During the year, there was not much of activity in CIVL or its subsidiaries.

(ii) CFCL Overseas Ltd., Cayman Islands

CFCL Overseas Ltd. was incorporated as a special purpose vehicle and wholly owned subsidiary of your Company for consolidation of its entire software business. CFCL Technologies Ltd. is the flagship Company for software business and also a subsidiary of CFCL Overseas Ltd.

During the year, one of the subsidiaries of CFCL Technologies Ltd., acquired Fiserv Fulfillment Services Inc., USA ("FFS") from Fiserv Inc. in December 2009. This acquisition is a major milestone in the software business strategy and as a result the business has achieved minimum critical mass in the Home Mortgage segment.

The primary offerings of FFS are Valuation Services, Title Services, Mortgage Processing and Home Retention Services. Post acquisition of FFS, the software business has been realigned into three segments viz., Origination, Servicing and Technology services. The software business now provides comprehensive end to end products & services in the mortgage industry.

The Software business as a whole earned revenues of USD 36.4 Million and EBITDA (before Merger & Acquisition expenses) of USD 2.7 Million during the period April to December 2009.

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

Due to economic downturn and very poor spot markets, operations of India Steamship, Singapore were scaled down. In-chartering activity in India Steamship, Singapore will be re-looked once the markets turn favourable.

During the Year 2009-10, India Steamship, Singapore has earned a revenue of USD 4.99 Million and recorded a loss (after tax) of USD 0.58 Million.

Exemption: Your 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 include the financial information of its subsidiaries, as applicable. 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. The Annual Accounts of the subsidiaries will be available for inspection at your Company's corporate office and that of the subsidiaries. Further, the Annual Accounts of these entities will also be available at the 'Investor Service Centre' section of your Company's website, www.chambalfertilisers.in.

7. Environmental Protection, Health and Safety

(a) Environment Management

Your Company has established and maintained an Integrated Management System based on OHSAS-18001:2007, ISO-14001:2004 and ISO-9001:2000 for Environmental, Occupational Health & Safety, and Quality, the details of which are briefly given below:

(i) **Sustainable Development** – Your Company believes in sustainable development of the society in which it operates. Accordingly, it has taken various initiatives and implemented environment programmes such as Ground Water Recharging through Rain Water Harvesting, Energy Conservation measures, Use of Solar Energy, etc.

The Company engages various stakeholders in educating and sensitizing them about the importance of sustainable environmental development. Awareness and involvement is achieved through training and various other programmes.

(ii) **Waste Management** – Your Company is managing and operating well designed programmes/treatment facilities to control pollution. The Company continues to follow the 3R concept – Reduce, Re-use and Re-cycle of the effluents being generated. This year, more than 98% of the effluents in Fertiliser plants were recycled. Waste water is being used in maintaining green belt through a 65 kilometer long irrigation network spread all over the Gadepan complex, which in turn helps in saving fresh water.

Your Company has adopted best methods to manage Solid/Hazardous Waste disposal after proper categorization. Separate bins have been created for collection of various categories of waste. In township,

segregated domestic waste is collected from each house and the biodegradable waste is composted. Horticulture waste is converted to manure. All saleable items are sold to approved recyclers. Use of polythene bags in the Gadepan campus is strictly prohibited.

Similarly, Birla Textile Mills (BTM) uses waste water, after treatment, in developing and maintaining the green belt. BTM has also installed a Colour Removal System in effluent treatment plant for removal of colour from the dye house effluent.

(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 2.3 Lac trees in an area of about 213 hectares under a programme named "Operation Green". Planting of new trees is a continuous process at Gadepan complex. The Green belt provides 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 5.05 cubic meter per MT of urea. This is one of the best in the Fertiliser Industry.

(b) Safety Management

Safety is an area of paramount importance in your Company. A well defined occupational health and safety management system is in place to ensure the safety of employees, contractor workforce as well as equipment and machinery. The township at Gadepan is OHSAS certified.

To maintain and improve upon the well established safety system, extensive training is conducted for the employees and contractor workforce by internal and external faculties and employees are also sent to well known institutes for specialized training. Training facility has been provided at the site and a safety booklet in Hindi has been brought out for contractor workforce in the bagging plant.

Besides establishing and maintaining Integrated Health and Safety Management System, your Company has implemented Process Safety Management (PSM) System developed by US Occupational Safety & Health Administration (OSHA) in its operations. PSM is a system covering all aspects of process risks and involves proactive identification, assessment & control of hazards in chemical industries. The system provides a dynamic environment for continual improvement and increasing awareness of the safety impacts of technology, personnel and management of process hazards. Unlike USA, PSM system is not mandatory in India but it has been adopted by the Company to focus on excellence, by fostering continual improvement of existing systems and employee involvement in safe operation of plants at Gadepan.

Emergency Handling

Your Company has a well-defined Onsite Disaster Management Plan & Flip chart at Gadepan. Regular mock drills are conducted to check the emergency preparedness in-house as well as with local administration. Mock drills have been conducted for ammonia release scenario and fire involving naphtha. A formal "Mutual Aid Scheme" with NTPC – Anta is also in place for the emergency handling.

(c) Health & Hygiene

Your Company accords high priority to hygiene monitoring at work place and employees' health assessment is done through periodical medical examinations. The plant and processes are continuously upgraded to improve work place hygiene and health standards. Necessary training is imparted to the employees and other workers to enhance their awareness towards health related matters. A large number of our employees are certified first-aiders whose knowledge is updated every month.

A well equipped medical centre at Gadepan campus provides round the clock Health Services to employees and their families, contractor workforce and community. The Company's medical officers conduct regular health awareness program.

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

(d) Quality Management

Adequate attention is accorded to maintain quality of end product and processes. Stringent monitoring of defined parameters is done and improvement opportunities are availed for continual improvement. Under a unique initiative, an All India workshop on "Boiler Feed Water and Steam System Management" was successfully organized at Gadepan in association with Fertiliser Association of India.

Health, Safety, Environment & Quality (HSEQ) Audits

Teams of trained internal auditors regularly conduct HSEQ audits with special emphasis on house keeping, health & hygiene, safety, environment and quality. Apart from periodic internal audits, external audits are carried out by reputed agencies like DNV & National Safety Council of India. The gaps identified in the audits are rectified through an action plan.

(e) Achievements

Your Company regularly participates in national and international benchmarking surveys & awards towards self-assessment and continual improvement. Your Company has received the following awards during the year:

- Rajasthan Energy Conservation Award 2009;
- "Best Employer 2008" for EXCELLENCE in GREEN REVOLUTION in Rajasthan State by the Employer Association of Rajasthan;
- "Golden Peacock Awards for Corporate Social Responsibility" for the year 2009; and
- Best Managed Siding Award – 2008-09 by West Central Railway for Minimum average detention to rakes.

8. Corporate Social Responsibility (CSR)

Your Company is committed towards the development of areas in the vicinity of the plants at Gadepan. Your Company's full-spectrum CSR programme, recently branded as "Uttam Roshni", has been designed to realize objectives of sustainable economic, social and environmental development. The Company had engaged a professional agency - Gramin Vikas Trust (GVT) to carry out a Need Assessment Survey of the villages surrounding the plants at Gadepan. The areas requiring the Company's intervention were identified and various initiatives were taken up for the community development in consultation with local administration at the village & block levels. The

activities mainly cover construction of Kharanja roads (stone pavement) with drains, gravel link roads, boundary walls, culverts, tube wells, fencing and provision of hand pumps and water storage tanks. The Company has also undertaken scheme for improvement in Village Drainage System and construction of a Community Center. It is proposed to build toilets for Below Poverty Line households and supply Drinking Water under Public Private Partnership model after necessary approvals from the local administration.

Your Company operates a mobile Health Care Unit namely –"Chambal Gramin Arogya Sewa" in 14 surrounding villages. A team of doctors accompanied by volunteers from "Uttam Mahila Samiti" provides free medical check up and medicines to villagers at their doorstep. 17510 patients were given treatment through Chambal Gramin Arogya Sewa during the year 2009-10. The Medical Centre in Gadepan campus provides free service to sick villagers from surrounding areas and ambulance facilities are provided to them round the clock for taking patients to Kota in emergency. During the year, over 2051 patients were provided health care service at Medical Center. Villagers also avail the services of visiting specialists for treatment. Camps for various ailments related to Eye, Gynecology, Respiratory & Asthma and Immunization and free health check up for students of nearby schools were organized.

Your Company believes that everyone can 'make a difference' and each individual is capable of giving something of value to society. The same is displayed by a group of volunteers from "Uttam Mahila Samiti" through initiatives like distribution of educational stationery, uniforms, sweaters, shoes, computers, etc. in the schools around our plants. Uttam Mahila Samiti also conducts drawing, painting and debate competitions at school level from time to time.

For overall development of community, "Uttam Krishi Clinic" has been established in the vicinity of the plants at Gadepan. This clinic provides various services such as Soil testing, Internet, Sale of improved seeds, Farmer training, Consultation, Demo-cum-Nursery for educating farmers on organic farming, etc.

9. Conservation of Energy

Your Company strives to make the plants as energy efficient as 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.

Your Company now owns 6 Aframax tankers out of which 5 are double hull and these ships are more energy efficient as compared to the old vessels. 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 included in data of entire 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