



Enriching Land Transforming Lives

Annual Report 2011-12

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DIRECTORS

S.K. Poddar
Chairman

Shyam S. Bhartia
Co-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

V.K. Gupta
Vice President - Marketing

Vinod Mehra
President-Operations

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

K. Satishchandra
Executive President-India Steamship

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants

BRANCH AUDITORS

Singhi & Co.
Chartered Accountants

COST AUDITORS

K.G. Goyal & Associates

Notice

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the members of the Company will be held at 1030 hours on Friday, September 14, 2012 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, 2012, Statement of Profit and Loss 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. Dipankar Basu, who retires by rotation and is eligible for re-appointment.
4. To appoint a director in place of Mr. Chandra Shekhar Nopany, 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 Ms. Radha Singh 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 an ordinary resolution:
"RESOLVED THAT pursuant to the provisions of Sections 310 and 311 and other applicable provisions of the Companies Act, 1956, the Company hereby approves the revision in the remuneration payable to Mr. Anil Kapoor, Managing Director with effect from February 16, 2012, as follows:
 - i) Basic Salary: Rs. 6,00,000 per month (further increased to Rs. 7,60,000 per month with effect from April 1, 2012) in the basic salary range of Rs. 6,00,000 to Rs. 12,00,000 per month.
 - ii) All other benefits like Provident Fund, Superannuation, HRA, etc. which are linked to basic salary stand revised accordingly.

RESOLVED FURTHER THAT all other terms of re-appointment of Mr. Anil Kapoor shall remain unchanged.

RESOLVED FURTHER THAT the Board of Directors of the Company (which expression shall also include a committee thereof) be and is hereby authorised to determine such increments payable to Mr. Anil Kapoor as it may deem fit and proper within the approved basic salary range from time to time, along with the performance bonus, if any, and to do all such acts, deeds, matters and things as may be necessary and incidental to give effect to the aforesaid resolution."

By order of the Board

M. S. Rathore

Vice President – Legal

Corporate Communication & Secretary

New Delhi
June 8, 2012

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. Dipankar Basu and Chandra Shekhar Nopany, directors are retiring by rotation and eligible for re-appointment. Members may kindly refer "Report on Corporate Governance" (Annexure 'E' to Directors Report) for further details of these directors.
4. **Book Closure**
The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, August 21, 2012 to Thursday, August 23, 2012 (both days inclusive).
5. **Certificate from Auditors**
The Company has obtained a certificate from the auditors of the Company certifying that 'CFCL Employees Stock Option Scheme 2010' is implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, and in accordance with the resolution passed by the members in the general meeting. The certificate will be available at the venue of Annual General Meeting for inspection by the members.
6. **Payment of Dividend**
The Dividend on Equity Shares for the year ended March 31, 2012, 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 23, 2012, after giving effect to all valid share transfer documents lodged with the Company on or before Monday, August 20, 2012.
- (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 20, 2012.

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
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
2009-10	27.08.2010	01.10.2017
2010-11	16.09.2011	18.10.2018

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 2004-05 through 2010-11 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.

7. Dispatch of documents through electronic mode

In pursuance of circulars issued by the Ministry of Corporate Affairs, Government of India, the Company proposes to send documents like notice of general meeting, annual report, etc. to the shareholders through electronic mode. We request you to participate in the Green initiative of the Ministry of Corporate Affairs by registering your email ID with your depository participant (where the shares are held in dematerialized form) or the Company by submitting the E-Mail Registration Form attached with the Annual Report.

8. Company on the Net

The website of your Company is www.chambalfertilisers.com where you can find more information about the Company, 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 and annual results, Annual Report, etc.

9. 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

10. 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.

11. 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 14, 2012, 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 October 21, 2009, had appointed Ms. Radha Singh as Director of the Company with immediate effect to fill the casual vacancy caused by the resignation of Mr. A. J. A. Tauro. Pursuant to Section 262 of the Companies Act, 1956 read with Article 119 of the Articles of Association of the Company, Ms. Radha Singh 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 her candidature for the office of Director.

Ms. Radha Singh has retired from Indian Administrative Service. Prior to retirement, she was holding the position of Secretary, Agriculture and Cooperation, Government of India. She has 40 years' experience in public service including in the areas relating to rural and agricultural development, water resources, public finance and institution building. In her capacity as Agriculture and Cooperation Secretary, she also headed various national and international organizations as Board Member/ Chairperson.

Presently, Ms. Singh is Agriculture Advisor to FICCI, Chairperson of the Madhavpura Mercantile Co-operative Bank Limited, Ahmedabad and Trustee and Secretary of Rajendra Bhawan Trust, New Delhi, a charitable organization in the memory of the first President of the Country.

Ms. Radha Singh is not holding any shares of the Company as on May 31, 2012. Other details of Ms. Radha Singh 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 Ms. Radha Singh, is concerned or interested in the Resolution.

The Board commends the appointment of Ms. Radha Singh as Director of the Company.

Item No. 8

The Board of Directors at their meeting held on July 19, 2011 had re-appointed Mr. Anil Kapoor as Managing Director of the Company for a period of three years w.e.f. February 16, 2012 at the basic salary of Rs. 4,50,000 per month (in the range of Rs. 4,50,000 to Rs. 10,00,000 p.m.) alongwith other perquisites. The re-appointment was subsequently approved by the shareholders on September 16, 2011.

The Board of Directors at its meeting held on January 17, 2012 had revised the basic salary of Mr. Anil Kapoor from Rs. 4,50,000 to Rs. 6,00,000 per month in the revised Basic Salary range of Rs. 6,00,000 to Rs. 12,00,000 per month, subject to approval of the shareholders.

The Remuneration Committee of the Board of Directors at its meeting held on May 11, 2012 had granted increment of Rs. 1,60,000 thus increasing the basic salary of Mr. Anil Kapoor from Rs. 6,00,000 to Rs. 7,60,000 per month with effect from April 1, 2012. All other benefits like Provident Fund, Superannuation, HRA, etc. which are linked to basic salary stand revised accordingly. All other terms of re-appointment of Mr. Anil Kapoor shall remain unchanged.

The contract containing enhanced salary of Mr. Anil Kapoor shall be available for inspection by the members at the Registered Office of the Company between 1000 hours to 1200 hours on any working day prior to the date of the meeting.

None of the directors except Mr. Anil Kapoor is 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
June 8, 2012

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 27th Annual Report on the business and operations of the Company together with audited accounts for the financial year ended March 31, 2012.

1. Financial Results and Appropriations

	(Rs. in crore)	
Particulars	2011-12	2010-11
(a) Turnover (excluding excise duty)	6455.13	4647.43
(b) Gross Profit after Finance Cost but before Exceptional Items, Depreciation and Tax	821.71	704.38
(c) Depreciation / Amortization	262.08	267.95
(d) Profit before Exceptional Items and Tax	559.63	436.43
(e) Exceptional items	-	4.37
(f) Profit before Tax	559.63	440.80
(g) Provision for Current Tax	127.48	159.93
(h) Provision for Deferred Tax	184.86	(44.31)
(i) Profit after Tax	247.29	325.18
(j) Balance of Profit Brought Forward	960.54	759.65
(k) Transferred from Debenture Redemption Reserve	-	3.12
(l) Profit available for Appropriation	1207.83	1087.95
(m) Appropriations:		
• Tonnage Tax Reserve	-	0.50
• General Reserve	50.00	35.00
• Proposed Dividend on Equity Shares	79.08	79.08
• Tax on Dividend	12.83	12.83
(n) Balance Carried Forward to Balance Sheet	1065.92	960.54

2. Operations:

The financial year under review was a year of opportunities coupled with challenges. The performance of the Fertiliser Division of the Company was commendable both in terms of profitability and revenue. However, the Shipping and Textile Divisions have suffered due to overall dismal market scenario.

The Company has achieved highest ever production and sales of Urea. Similar uptrend was observed in volumes and profitability from the trading activity. The Company has expanded its market reach by setting up its marketing office at Aurangabad which will cater to Maharashtra market.

The Shipping Business has seen one of the worst years with bunker rates increasing sharply and asset and freight rates falling substantially. The time charter activity has also remained sluggish due to downturn in the market. This has severely impacted the performance of the Shipping business. The Company has six vessels (5 double hull and one single hull aframax tankers). The Company plans to dispose off the single hull vessel which is more than 23 year old.

During the year, the Shipping Division of the Company has opted out of Tonnage Tax Scheme under the Income Tax Act, 1961 and will be assessed under the normal tax regime w.e.f. April 01, 2011. Consequently, the Company has ascertained deferred tax liability on the difference between the written down value of the fixed assets pertaining to the Shipping Division as per books of accounts and the Income Tax Act, 1961

as on April 1, 2011 amounting to Rs.184.21crore which has been accounted for during the year. This non cash accounting charge has impacted the net profit of the Company during the Financial Year 2011-12

The Textile Division has faced high volatility in prices of raw material and yarn, movement of both the prices not being in tandem. The export markets have also remained sluggish during the year under review. All these factors have affected the performance of the Textile Division adversely.

The detailed information on all the three 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.

3. Dividend

The Board recommends dividend @ Rs. 1.90 per equity share of Rs. 10 each (Previous Year – Rs. 1.90 per equity share). The total outgo on this account will be Rs. 91.91 crore including dividend distribution tax.

4. 'Corporate Governance Report' and Code of Conduct

Your Directors confirm their ongoing commitment for adhering good corporate governance practices. Corporate Governance Report is attached as Annexure "E". Auditors' Certificate confirming compliance with the conditions of Corporate Governance is enclosed as Annexure "D" and Declaration of the Managing Director confirming compliance with the 'Code of Conduct and Ethics' is enclosed as Annexure "F".

5. Joint Venture

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

IMACID is a joint-venture of your Company established in Morocco. The Company has a 33.33% shareholding, together with two other equal partners - Tata Chemicals Limited and OCP, Morocco. IMACID is engaged in the manufacture of phosphoric acid (P_2O_5) which it exports to India primarily to Tata Chemicals Ltd and Zuari Industries Ltd for manufacture of granulated DAP and NPK fertilizers.

During 2011, the Company witnessed the highest ever production of 429,622 MT of P_2O_5 against a design capacity of 430,000 MT P_2O_5 . Sales during the year 2011 were 4,12,950 MT of P_2O_5 against the previous year sales of 355,977 MT. During the year 2011, IMACID achieved revenue of MAD 3325 million (Rs. 2096.33 crore) against revenue of MAD 2284.07 million (Rs. 1246.69crore) achieved during the year 2010. IMACID earned profit after tax of MAD 366.49million (Rs. 231.06 Crore) during the year 2011 as against MAD 181.86 million (Rs. 99.26 crore) in the year 2010.

Strong financial performance and cash reserves facilitated payout of MAD 450 million (Rs.277.70 crore) as a special Dividend to its shareholders in March 2012 apart from dividend of MAD 62 million (Rs. 38.26 crore) paid during the Year 2011.

However, the plant has been shutdown from January 2012 onwards (except operations for some period in February 2012) due to adverse market conditions for its product. This opportunity was utilized to carry out crucial repairs to plant and equipment. The plant operations continue to remain suspended and shall start once the market conditions improve.

6. Subsidiaries

(i) Chambal Infrastructure Ventures Limited and its Subsidiaries

Chambal Infrastructure Ventures Limited ("CIVL") was incorporated by your Company to venture into Power business. CIVL had established two down stream wholly owned subsidiaries viz. Chambal Energy (Chhattisgarh) Limited and Chambal Energy (Orissa) Limited for setting up power projects in the states of Chhattisgarh and Odisha, respectively. CIVL is in the process of identifying suitable land parcels for its project in Odisha and matter is being pursued with the concerned authorities. There was not much progress in its power project endeavors in the state of Chhattisgarh.

(ii) CFCL Overseas Limited, Cayman Islands and its Subsidiaries

CFCL Overseas Limited is a wholly owned subsidiary of your Company and a holding entity for software business. CFCL Technologies Limited, a main entity which controls the entire software business, is a subsidiary of CFCL Overseas Limited. CFCL Technologies controls its software business through down stream subsidiaries mainly in USA and India.

The year 2011 was a year of consolidation for software business in achieving a significant stabilization of the operating margin and profitability. Software business made significant interventions and has successfully contained losses in the business from first three quarters of the year 2011. Revenue of Software business dropped from USD 128.65 million in 2010 to USD 92.85 million in 2011, primarily attributed to the decision to consciously terminate pure onshore accounts that had significantly depressed operating margins. The Software Business continued to make significant strides with continued focus on operational efficiency, cost cutting, organization building and consolidation which have enabled the Company to turn EBITDA positive from July – September quarter of 2011 onwards.

CFCL Technologies and its subsidiaries follow the January to December Financial Year. The software business as a whole incurred a net loss of USD 19.98 million during the year 2011 as against net loss of USD 26.28 million incurred in the year 2010.

(iii) India Steamship Pte. Limited, Singapore and its Subsidiary

India Steamship, Singapore does not own any vessel and operates through in-chartered vessels. During the year, the international shipping markets remained subdued forcing India Steamship, Singapore to contain its operations. The company operated an in-chartered vessel during first few months of the year 2011-12 and did not hire any vessel thereafter. India Steamship International FZE, UAE was incorporated during the year as a 100% subsidiary of India Steamship, Singapore at Hamriyah, Sharjah, UAE where tax regulation is liberal. The new entity has not yet commenced its operation.

During the year 2011-12, India Steamship, Singapore have earned a revenue of USD 2.89 million and incurred a loss (after tax) of USD 0.24 million.

(iv) India Steamship Limited, India (ISL)

ISL has been incorporated on April 01, 2011 as subsidiary of your Company. During the year, there was not much activity in ISL.

Exemption: The Government of India vide its circular dated February 08, 2011 granted general exemption to the companies from attaching with Annual Report, the copies of the Balance Sheet, Profit and Loss Account, Board of Directors' Report and Auditor's Report of its subsidiaries. The 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 by any shareholder at the corporate office of your Company and respective subsidiaries.

7. Health, Safety and Environmental Protection

Health, Safety and Environmental protection has been given utmost priority since inception of your Company. With the objective of maintaining the highest Health, Safety, Environmental & Quality (HSEQ) standards, your Company has established and is maintaining an Integrated Management System (for Occupational HSEQ) based on OHSAS-18001:2007, ISO-14001:2004, ISO-9001:2008 and Process Safety Management system. The year 2011-12 was an accident free year. Your Company has achieved 9.03 million man hours (654 days) accident free working.

(a) Health & Hygiene

Your Company accords highest priority to health & hygiene of its employees and associates. Health assessment and occupational disease monitoring of employees and associates is done through periodic medical examinations. The Company's medical officer who is additionally trained in Occupational Health conducts a survey to properly assess the needs and appropriate proactive actions are taken.

A well equipped medical centre in the campus at Gadepan works round the clock to provide Health Services to employees, associated contractor work force, their families and villagers in the vicinity of the plants. New equipment and services are added to continuously upgrade the health care. The plant and processes are continuously upgraded to improve work place and health standards.

Necessary training was imparted to the employees and workers to enhance their awareness towards health related matters. Some of our employees are certified first-aiders. Many officers of the Company have been imparted fast track emergency response training on first aid and occupational health.

(b) Safety Management

A strong occupational-health and safety management system OHSAS-18001:2007 is in place in your Company to ensure safety of employees, contractor workforce as well as equipment and machinery. The township at Gadepan is also OHSAS-18001:2007 certified. Your Company has implemented Process Safety Management System (PSM) developed by Occupational Safety & Health Administration,

USA (OSHA) in its operation for proactive identification, assessment & control of hazards. PSM is not mandatory but was adopted by your Company to fulfill its quest for highest safety standards in its operations. Process incidents were reviewed as per PSM guidelines and trainings and audits were conducted for overall improvement.

In order to keep its safety system agile and updated, extensive trainings were conducted by internal & external expert faculties on rescue, fire fighting & emergency handling, electrical safety, material handling, road safety, etc.

The scheme of "Near- Miss" & "Make-to-Good" reporting is in place in your Company which not only creates awareness among the workforce but also gives an opportunity to identify and correct possible safety concerns. The safety reward system has been reviewed and widened during the year to further strengthen the safety culture in the Company. To improve safety work culture and bring reduction in injuries more and more workers of associated contractors were involved in safety promotional activities & trainings.

As a special drive, a safety improvement project has been undertaken by your Company for bagging plant in association with a consultant. The concept of Behavior Based Safety (BBS) has been introduced and is working satisfactorily through selected BBS Champions. During shutdown maintenance, extensive safety trainings and supervisions were conducted by associating experts. Personal Protective Equipments (handgloves, dust mask, ear plugs, etc) were provided free to all contract workers.

Various initiatives were taken by your Company towards overall safety improvement, such as adding new safety & emergency handling equipments, additional safety procedures, visitors' safety film, screening of Environment, Health and Safety (EHS) documentary for township residents, pictorial booklet depicting dos & don't for bagging plant, fire alarm system upgradation, etc.

Your Company has a well-defined "Onsite Disaster Management Plan". The flip chart defining roles & responsibilities of key personnel was reviewed, revised & updated during the year. Regular mock drills & fire drills were conducted to check the emergency preparedness. The Company executives regularly visit near-by companies and consultations are held with them to share information and learn from each other's experience and improve.

(c) Environment Management

Environment protection is a top priority for the Company management. The urea & ammonia production activities and the township at Gadepan is ISO-14001:2004 certified. Extensive environmental monitoring is carried out to ensure effective environment management. The endeavors of the Company for environment protection are as under:

(i) Sustainable Development – Your Company is totally committed to sustainable development and has completed various environment related programmes like Rain Water Harvesting, Ground Water Recharging, Energy Conservation measures, Pollution Control, Use of Solar Energy, etc.

(ii) Waste Management – Your Company continues to follow the 3R concept (Reduce, Re-use and Re-cycle) for waste management. Almost 100% condensates are recycled back to system. Treated waste water is used for maintaining green belt through a 65 kilometer long irrigation network spread all over the complex.

Your Company has adopted best practices to manage solid/ hazardous waste disposal after proper categorization. Segregation of waste is ensured at source and separate bins have been created for collection of various categories of waste. Horticulture & domestic waste is converted to manure & used in the green belt. Recyclable waste is disposed to recyclers and all saleable items are sold to approved recyclers. Use of polythene bags is strictly prohibited in the Gadepan campus for many years.

(iii) Green belt– The area surrounding Gadepan complex is experiencing a positive change in Ecology due to development of a dense green belt / forest inclusive of around 2.0 lac trees in an area of about 212 hectares. This has provided habitat to more than 100 species of birds which includes more than 700 peacocks.

(iv) Water conservation–Your Company continuously works on various water optimization measures as our area is water scarce. Water audits and studies have been conducted through experts to explore more avenues of water conservation. Special efforts have been made in optimization of cooling water, fire water network, drinking water & de-mineralised water. The trend of consumption shows a continual improvement with the specific consumption of water at 4.82 cubic meters per MT of urea this year, as against 4.92 cubic meters per MT of urea during 2010-11, which is one of the best in the fertiliser industry. Water consumption norms for fertiliser industry is 8.0 cubic meters per MT of urea.

(d) Quality Management

Your Company is ISO 9001:2008 certified and adequate attention is accorded by your Company to maintain quality of end product and processes. Stringent monitoring of defined parameters of quality is ensured.

(e) Health, Safety, Environment & Quality (HSEQ) Audits Teams of trained internal auditors regularly conduct HSEQ audits with special emphasis on health & hygiene, house keeping, safety, environment and quality. HSEQ systems are periodically audited by various external agencies of repute in line with your management approach of continual improvement. Surprise visits are conducted to plant and canteen to ensure highest standard of housekeeping & hygiene. Ammonia Storage safety systems have been upgraded based on review by the designer and Risk based Inspection is under progress. To extend and improve safety culture among our marketing team, all our Regional Marketing Offices have been audited during the year and staff has been trained on safety.

(f) Achievements

Your Company regularly participates in awards and national & international benchmarking surveys for independent

assessment which in turn provides an opportunity for improvement. Your Company has received following prestigious awards during the year under review:

- "Environment Protection award" for the year 2010-11 and 2009-10 from Fertiliser Association of India (FAI).
- "National Award for Excellence in Water Management 2011" from Confederation of Indian Industries (CII) under the category "Beyond the Fence".
- "National Award for Excellence in Energy Management"-2011 from CII.
- Rajasthan Energy Conservation Award 2011.
- Special commendation, Golden Peacock Award for Sustainability-2011.

8. Corporate Social Responsibility (CSR)

Your Company is committed towards the development of neighboring areas for improving the quality of life. To initiate and sustain meaningful actions in this regard, your Company has formed KK Birla Memorial Society to consolidate all Corporate Social Responsibility (CSR) activities. The Company has taken number of initiatives for the community development in consultation with local administration at the village, block and district levels.

The Company's CSR program is designed as per participatory planning process to involve stakeholders for sustainable development of the area. The focus of the Program is on formation and livelihood trainings of SHGs (Self Help Groups), Health & Hygiene, Human Health Care, Sanitation, Farmers education on Agriculture & animal husbandry, Livestock vaccination & breed improvement etc. Your Company has taken following initiative under the program:

(a) Sanitation

Your Company has initiated a project to improve sanitary practices through awareness campaigns and construction of toilets. Your Company has constructed 313 individual toilets for Below the Poverty Line families last year and another 402 toilets were constructed this year. Your Company has also constructed 10 girls' toilets in 10 Government schools.

(b) Community Health Care

The Company operates a mobile Health Care Unit manned by a doctor and nursing assistant in 14 surrounding villages. Ambulance facilities are also provided to community round the clock for taking patients to Kota hospitals in emergency situations. During this year, 222 such cases were attended through ambulance facility.

During the year, 34,741 people were treated for different diseases. The Medical Center in Gadepan campus provides free service to people from surrounding areas. The Company regularly organizes free medical camps by inviting specialists for attending various ailments and 2862 patients benefited during the year under this program.

(c) Education

The Company is extending quality education to children from contiguous villages through Chambal Fertilisers DAV School (CFDAV). Over 47% students in this school are from such villages. During the year, CFDAV was upgraded to class 10th standard and got affiliated with Central Board of Secondary Education (CBSE).

Your Company has recently adopted 24 primary & upper primary government schools of nearby 22 villages under Public Private Partnership Scheme of Government of Rajasthan. This initiative shall extend quality education to more children and shall endeavour to check drop out rates especially among girls.

Your Company adopted Government Industrial Training Institutes (ITI) at Sangod during 2010-11. The Management of the ITI is run by the Company and nearly 100 students were placed with the corporates after completion of their ITI course. The company is upgrading the infrastructure of the ITI and it is planning to start 4 new courses from the academic year 2012-13.

(d) Rural Infrastructure

The Company has developed rural infrastructure by constructing pavement roads, drains, school boundary walls, community centers, crematoriums in Karadia, Simliya, Ballabhpora Gadepan, Ballabhpora, Bambhori and Kalarewa villages.

(e) Reporting on triple bottom line performance

With the aim to assess its Corporate Sustainability performance and initiatives, the Company had commenced reporting, annually, on its triple bottom line performance from Financial Year 2009-10. The Company has published A+ sustainability report for the financial year 2010-11 in accordance with Global Reporting Initiative (GRI) guidelines. The sustainability report is externally assured by Ernst & Young Private Limited. The report gives a bird's eye view on Sustainability performance of the Company and also offers an opportunity to assess and improve its sustainability initiatives.

9. Disclosure of Particulars

Your Company believes that improvement is a journey with new milestones to be achieved on continuous basis. The Company makes continuous efforts to make the plants as energy efficient as possible and reviews various schemes to conserve energy on regular basis. 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 Annexure "A" attached hereto.

Information required to be furnished in Form A is not applicable to shipping industry. However, it is ensured that every measure is taken to save and conserve energy at all stages of operation of the vessels as well as in shore office. The Company has 6 Aframax Tankers out of which 5 are double hull and these ships are more energy efficient as compared to the old vessels. The Shipping Division has no information to furnish in Form B regarding technology absorption.

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 reaching out to investors regularly, timely reminders to investors about new corporate benefits, undelivered shares, unclaimed benefits, etc.

The equity shares of your Company are listed at National Stock

Exchange of India Limited and BSE Limited. The Company has paid annual listing fees to these Stock Exchanges for the year 2012-13.

The members are requested to refer to general shareholders' information given in Corporate Governance Report appended to this report.

11. Fixed Deposits

Your Company has discontinued accepting new deposits with effect from July 1, 2008. As on March 31, 2012, your Company had 21 depositors with fixed deposits of Rs. 5.73 lac, who have not claimed their Fixed Deposit amount despite being reminded regularly.

12. Employee Stock Option Scheme

The members of the Company had approved Employee Stock Option Scheme 2010 ("ESOS 2010") on August 27, 2010 for issue and allotment of options exercisable into not more than 41,62,000 equity shares of face value of Rs. 10/- each to eligible employees and Managing Director of the Company. Each option when exercised would be converted into one fully paid up equity share of Rs. 10 of the Company. The ESOS 2010 is administered by the Compensation Committee of the Board of Directors of the Company. Disclosure pursuant to the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is given in Annexure - "B".

13. 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".

14. Directors

The Board has eight non-executive directors and a Managing Director. Two directors namely M/s. Dipankar Basu and C.S. Nopany are due for retirement by rotation at the forthcoming Annual General Meeting. M/s. Dipankar Basu and C.S. Nopany are eligible and have offered themselves for re-appointment. Ms. Radha Singh is also retiring at the forthcoming Annual General Meeting of the Company. These directors are not related to any other directors of the Company.

The Company has received a notice in writing together with requisite deposit from a member proposing the appointment of Ms. Radha Singh as a Director of the Company, liable to retire by rotation.

Other information on the directors is provided in Corporate Governance Report annexed to this Report as Annexure "E".

15. Auditors

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

M/s. S. R. Batliboi & Co., Statutory Auditors and M/s. Singhi & Co., Branch Auditors of Shipping Business of the Company, are retiring 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.

The Board of Directors of the Company appointed M/s. K.G. Goyal & Associates, Cost Accountants for conducting audit of cost accounts of the Fertiliser Division of the Company for the financial year 2010-11 and 2011-12. The Company has filed the Cost Audit Report for the financial year 2010-11 with the Ministry of Corporate Affairs, Government of India on September 1, 2011 as against the last date of filing on September 27, 2011.

16. Directors Responsibility Statement

Your Directors hereby report:

- that in the preparation of the 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 judgments 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, 2012 and of the profit of the Company for the year ended March 31, 2012;
- 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; and
- that the Company has adequate internal systems and controls in place to ensure compliance of laws applicable to the Company.

17. Consolidated Financial Statements

In accordance with 'Accounting Standard 21 – Consolidated Financial Statements', the consolidated financial statements form part of this Report & Accounts. These consolidated financial statements also incorporate the 'Accounting Standard 27 – Financial Reporting of interest in Joint Ventures' issued by the Institute of Chartered Accountants of India. The consolidated financial statements have been prepared on the basis of audited financial statements received from subsidiaries and joint venture entity.

18. Acknowledgements

Your Directors wish to place on record their appreciation of the assistance and co-operation received from the Department of Fertilisers, Government of India, State Governments, domestic and International Financial Institutions & Banks and other stakeholders, whose continued support and co-operation has been instrumental in enabling the Company to achieve its goals. Your Directors also wish to place on record their sincere appreciation of the unstinted devotion, hard work and commitment of every employee of the Company.

By order of the Board

Place : New Delhi
Date : May 12, 2012

S. K. Poddar
Chairman