



**CHAMBAL FERTILISERS
AND CHEMICALS LIMITED**

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**NINETEENTH ANNUAL REPORT
2003-2004**

**DIRECTORS**

Dr. K.K. Birla
Chairman

S.K. Poddar
Co-Chairman

H.S. Bawa
Vice Chairman

Sunil Sethy
Managing Director

R.N. Bansal

Dipankar Basu

R.J. Bedekar
(IDBI Nominee)

Shyam S. Bhartia

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

A.J.A. Tauro

Marco Wadia

**GENERAL MANAGER -
LEGAL & SECRETARY**

M.S. Rathore

SENIOR EXECUTIVES

D.L. Birla
Executive President – BTM

Dr. Nirmal Jain
President & CEO – ISG

Anil Kapoor
President – Strategic Planning & Operations

V. Krishnan
Vice President – Corporate Finance

R.D. Mall
Vice President – Corporate Office

Vinod Mehra
Vice President – Operations

S. Mohan
Vice President – CHR

S.K. Patra
Vice President – Marketing

M. George Peter
Vice President – Central Purchasing

LEGAL ADVISORS

Crawford Bayley & Co.
Mumbai

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants

DEBENTURE TRUSTEE

UTI Bank Ltd.

BANKERS

Bank of Baroda

Allahabad Bank

Citibank

HDFC Bank

ING Vysya Bank

Punjab National Bank

State Bank of Hyderabad

State Bank of India

State Bank of Mysore

State Bank of Patiala

Syndicate Bank

UTI Bank

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

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

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NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of the Company will be held at 1030 hours on Friday, August 20, 2004 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 31st March, 2004, 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 Mr. S.S. Bhartia, who retires by rotation and is eligible for re-appointment;
4. To appoint a director in place of Mr. M.D. Locke, who retires by rotation and is eligible for re-appointment;
5. To appoint a director in place of Mr. S.K. Poddar, 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.

SPECIAL BUSINESS:

7. To announce the result of postal ballot in respect of resolutions to be passed under section 372A of the Companies Act, 1956, under item Nos. 1 and 2 of Postal Ballot Notice dated June 15, 2004.

By order of the Board

Gadepan
June 15, 2004

M. S. Rathore
General Manager- Legal & Secretary

Notes

1. Proxy

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his / her stead and a proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the company not less than 48 hours before the scheduled time of the meeting. A blank proxy form is annexed to the annual report.

2. Book Closure

The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, July 21, 2004 to Tuesday, July 27, 2004 (both days inclusive).

3. Explanatory Statement

The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No 7 of the Notice is given below and forms part hereof.

4. Payment of Dividend

The Dividend on Equity Shares for the year ended 31st March, 2004, will be paid after declaration by the members:

- (i) In respect of shares held in physical form, to those members whose names appear on the Register of Members of the Company on July 27, 2004, after giving effect to all valid share transfers lodged with the Company on or before Tuesday, July 20, 2004.
- (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 (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business on Tuesday, July 20, 2004.

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

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

Dividend Year of dividend	Date of Declaration	Due date for Transfer to IEP Fund
1996-97	05.09.97	15.10.04
1997-98	24.08.98	03.10.05
1998-99	25.08.99	04.10.06
1999-00	11.08.00	20.09.07
2000-01	14.09.01	12.10.08
2001-02	12.09.02	10.10.09
2002-03	12.09.03	10.10.10

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 the Investor Education and Protection Fund of the Central Government under the provisions of section 205A of the Companies Act, 1956.

In view of the above, the shareholders are advised to send all the unencashed dividend warrants pertaining to the years 1996-97 through 2002-03 to our Share Transfer Agent at New Delhi for revalidation and encash them before the due dates for transfer to the IEP Fund.

5. Investors holding physical shares are advised to forward the particulars of their bank account, name, branch and address of the bank immediately, if not sent already, so as to enable us to incorporate the same on dividend warrants.
6. Investors holding shares in physical form are advised to opt for Electronic Clearing System (ECS) to avail faster and safer remittance of dividend than customary cheque mode and return the Mandate Form 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 at the earliest. A blank ECS Mandate Form is attached herewith.

7. Company on the Net

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

8. Share Transfer Agent

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

M/s. Zuari Investments Limited,
Share Transfer Agents,
International Trade Tower,
F Block, 2nd Floor,
Nehru Place, New Delhi – 110 019.
Tel : 91 11 26480427, 26413361, 26480392
Fax : 91 11 26413391
E-mail : delhi@zuari.net

9. Members are requested to:

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

10. The Annual Accounts of the Subsidiaries are available for inspection by the Investors at the Corporate Offices of the Company and NovaSoft Information Technology Corporation situated at 3570, quakerbridge road, Mercer ville, New Jersey, 08619, U.S.A.

11. Pick-up Coach Facility

For the convenience of members intending to attend the Company's Annual General Meeting scheduled to be held at 1030 hours on August 20, 2004, the Company will provide transport from Kota to Gadepan and back. The pick-up coach will leave from "Sahyog Bhavan" No. 1, Aerodrome Circle, Kota, Rajasthan at 0900 hours on the date of AGM to reach Gadepan (venue of the AGM) in time for the meeting and leave for Kota after the meeting.

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

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

Item No. 7

Pursuant to the provisions of section 192A of the Companies Act, 1956, read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001, special resolutions under section 372A for giving inter-corporate loans and guarantees requires the consent of shareholders through Postal Ballot. The notice of Postal Ballot, explanatory statement thereto and postal ballot form are annexed to the Annual Report. The Chairman of the meeting shall declare the result of postal ballot in the Annual General Meeting.

By order of the Board

Gadepan
June 15, 2004

M. S. Rathore
General Manager- Legal & Secretary



Postal Ballot Notice

Notice is hereby given that approval of the members of the Company is sought by way of Postal Ballot in respect of the following special business:

1. To consider and if thought fit, to pass the following resolution as a special resolution

"RESOLVED THAT pursuant to the provisions of section 372A of the Companies Act, 1956 and subject to the requisite approvals and consents required in this connection including that of Public Financial Institutions, the consent of the Company be and is hereby accorded for making loans to below mentioned Bodies Corporate upto Rs. 100 crores subject to individual limits indicated against their names:

Body Corporate	Maximum Amount (Rs. in crores)
1. Zuari Industries Limited	25.0
2. PNB Gifts Ltd.	20.0
3. Upper Ganges Sugar and Industries Limited	10.0
4. Oudh Sugar Mills Limited	10.0
5. Zuari Investments Limited	10.0
6. Videocon International Limited	10.0
7. ICICI Securities Limited	10.0
8. India Steamship Company Ltd.	7.0
9. Texmaco Ltd.	5.5

RESOLVED FURTHER THAT the aforesaid approval for placement of loans shall be valid upto September 30, 2005 and that the rate of interest shall not be lower than

the prevailing Bank Rate as announced by the Reserve Bank of India under the Reserve Bank of India Act, 1934 or cost of borrowings for the Company.

RESOLVED FURTHER THAT the Board of Directors either by itself or through delegation to its committee(s) be and is hereby authorised to do all such acts, deeds and things as may be appropriate and necessary in the best interest of the Company and its shareholders for the purpose of making of aforesaid loans."

2. To consider and if thought fit, to pass the following resolution as a special resolution

"RESOLVED THAT pursuant to the provisions of section 372A of the Companies Act, 1956 and subject to the requisite approvals and consents required in this connection including that of Public Financial Institutions, the consent of the Company be and is hereby accorded for giving guarantee(s) for amounts not exceeding Rs. 15 crores on behalf of M/s. Chambal Agritech Limited to its lender(s).

RESOLVED FURTHER THAT the Board of Directors either by itself or through delegation to its committee(s) be and is hereby authorised to do all such acts, deeds and things as may be appropriate and necessary for the purpose of giving of aforesaid guarantees."

By order of the Board

Gadepan
June 15, 2004

M. S. Rathore
General Manager- Legal & Secretary

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

Item No. 1

As a part of normal treasury operations of the Company, surplus funds as available from time to time in the operations of your Company are deployed, inter-alia, in inter-corporate deposits (ICDs) for efficient usage of these funds and to earn reasonable returns. The Company proposes to deploy its surplus funds in ICDs with of other bodies corporate.

The following directors are interested in the above resolution by virtue of their being on the Boards of below mentioned Companies:

Name of the Company	Interested Directors
Zuari Industries Limited	M/s. K.K. Birla, H.S. Bawa, S.S. Bhartia, M.D. Locke, S.K. Poddar and Marco Wadia
Texmaco Limited	M/s K.K. Birla and S.K. Poddar
India Steamship Company Limited	M/s. K.K. Birla, C.S. Nopany and Sunil Sethy
Upper Ganges Sugar and Industries Limited	Mr. C.S. Nopany
Oudh Sugar Mills Limited	Mr. C.S. Nopany
Zuari Investments Limited	Mr. H.S. Bawa

The Board commends the resolution for your approval.

Item No. 2

Chambal Agritech Limited (CAL) was a 50:50 Joint Venture between Technico Pty. Limited, Australia (Technico) and your Company. Your Company had acquired 51% stake in Technico in March, 2003 through its Special Purpose Vehicle viz Chambal Biotech Private Ltd. Singapore. Your Company transferred its entire stake in CAL to Technico in May, 2004. As a result CAL has become wholly owned subsidiary of Technico.

CAL produces miniature potato seeds (TECHNITUBER™) and then multiplies these seeds into Generation – 1 and Generation – 2 seed potatoes. CAL is now planning to take up Generation – 3 seed multiplication as well. This will result in increased requirement of capital and debts for CAL.

To enable CAL to obtain attractive financing options, it has requested your Company to provide further Corporate Guarantee of Rs. 15 crores for a period of 3 years to secure the additional working capital facilities.

Pursuant to section 192A of the Companies Act, 1956, read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, the proposal requires the consent of the shareholders through postal ballot.

None of directors except Mr. H. S. Bawa and Mr. Sunil Sethy are interested in the above resolution.

The Board commends the resolution for your approval.

of Resolution by Postal Ballot) Rules, 2001, the assent or dissent of the members in respect of the special resolutions shall be determined through postal ballot.

- A shareholder desiring to exercise his/her/its vote by postal ballot may complete this form and send it to the Scrutinizer, appointed by the Company, in the attached prepaid self-addressed envelope. Postage is borne and paid by the Company. However, envelopes containing postal ballot, if sent through courier at the expense of the shareholder will also be accepted.
- The Company has appointed Mr. M. L. Patodi, Advocate failing which Mr. V. K. Sharma, Practicing Company Secretary as the scrutinizer for conducting the postal ballot process. The self-addressed envelope bears the address of the scrutinizer appointed by the Company.
- There shall be one postal ballot for every folio irrespective of the number of joint holders. A proxy shall not exercise the postal ballot. Voting rights shall be reckoned on the paid up value of shares registered in the name of the shareholders on the date of dispatch of the notice.
- The postal ballot form should be completed and signed by the shareholder. In case of joint holding, this form should be completed and signed (as per specimen signature registered with the Company) by the first named shareholder and in his absence, by the next named shareholder. In case of corporate shareholders, the form should be signed by an authorised signatory, whose signature is already registered with the Company.
- Duly completed postal ballot forms should be received by the Scrutinizer not later than the close of working hours on Monday, August 16, 2004. Postal ballot forms received after this date will be treated as if no reply from the shareholder has been received.
- Incomplete, unsigned or incorrect postal ballot forms will be rejected. The Scrutinizer's decision on the validity of the postal ballot shall be final and binding.
- The Board of Directors of the Company has appointed Mr. Sunil Sethy, Managing Director, and Mr. M.S. Rathore, General Manager – Legal & Secretary as the persons responsible for the entire postal ballot voting process.
- The Scrutinizer will submit his final report as soon as possible after the last date of receipt for postal ballot but not later than August 19, 2004.
- Mr. Sunil Sethy, Managing Director, shall announce the result of the postal ballot resolution at the Annual General Meeting of the Company to be held at 1030 hours on August 20, 2004 at the registered office of the Company at Gadepan, Distt. Kota, Rajasthan PIN-325 208.
- The date of declaration of the result of postal ballot resolutions will be taken to be the date of passing of the resolutions.

Notes / Instructions

- Pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing

By order of the Board

Gadepan
June 15, 2004

M. S. Rathore
General Manager- Legal & Secretary



Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 19th Annual Report together with audited accounts for the financial year ended March 31, 2004.

1. Financial Results and Appropriations

(Rs. in Crores)

Particulars	2003-04	2002-03
Turnover*	2217.25	1950.25
Gross Profit after interest but before Non-recurring Subsidy Items, Depreciation and Tax	324.23	317.04
Depreciation	143.79	141.47
Profit before Non-recurring subsidy items and tax	180.44	175.57
Non recurring subsidy items	-	(60.93)
Profit before Tax	180.44	114.64
Provision for current taxation	36.20	9.03
Provision for Deferred Tax	19.25	16.24
Profit after tax	124.99	89.37
Balance of Profit brought forward	99.14	60.24
Transferred from Debenture and Debt Redemption Reserve	105.20	48.23
Profit available for appropriation	329.33	197.84
Appropriations:		
• Debenture Redemption Reserve	22.25	5.00
• General Reserve	30.00	25.00
• Proposed Dividend on Equity Shares	64.96	60.90
• Tax on proposed dividend	8.32	7.80
Balance carried forward to Balance Sheet	203.80	99.14

* Excluding excise duty

2. Dividend

The Board recommends dividend of Rs. 1.60 per equity share on 40,60,00,000 equity shares of Rs. 10 each (Previous year Rs. 1.50 per share). The total outgo on this account will be Rs. 73.28 crores including dividend tax.

3. New Fertiliser Pricing Policy

Urea Price is regulated by the Government of India through fixation of uniform Consumer Price and Ex-factory Retention Price for each manufacturing unit under the Pricing Scheme. The Government of India introduced New Pricing Scheme (NPS) for Urea w.e.f. April 1, 2003, replacing the three decade old unit wise Retention Price Scheme.

During the year, the company has accounted the retention price support on the basis of notified Concession Price under NPS, which is adjusted for input price escalation/de-escalation. Further, the concession in respect of Urea produced in excess of 100% from Gadepan I Plant has been accounted for on the basis of policy notified in this regard.

In addition to Retention Price Support, the Government of India also fixes the Equated Freight Rate for each of the

plant and the present notified rates have been accounted for in the current year revenues.

The implementation of NPS is not expected to negatively impact the Company in the long term when compared to the old unit specific pricing policy.

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 'F' to this report.

5. Joint Ventures and Associates

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

IMACID is a 50:50 joint venture between Office Cherifien Des Phosphates, Morocco and your Company. During the year 2003, IMACID produced 2,81,358 MT of Phosphoric Acid (P_2O_5) with a capacity utilization of 85.26% on normative basis and 95.28% on stream days basis. Sales during the period were 289,005 MT of Phosphoric Acid. The Cash Profit (after tax) during the year was Moroccan Dirham (MAD) 51.70 million (US\$ 4.81 million) against MAD 118.20 million (US\$ 13.75 million) in the previous year. The drop in profitability was mainly due to lower sales realization on P_2O_5 , lower sale of P_2O_5 and a large exchange loss on sales realization due to appreciation of Moroccan Dirham against US Dollar, which is partially offset by savings in rock phosphate and liquid sulphur procurement. With the expected improvements in the sales realisation and higher production, IMACID is expected to perform better in the current year.

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

Technico Pty. Limited is the technology supplier and a 50% joint venture partner in Chambal Agritech Limited. As a part of overall strategy for the Bio-technology business, your Company had acquired 51% stake in Technico Pty. Limited, Australia in March 2003 for an aggregate consideration of AUD 18.62 million. This was through a Special Purpose Vehicle i.e. Chambal Biotech Private Limited, Singapore. The investment will be made in phases, over a period of three years. Your Company has transferred its entire holding of 50% in Chambal Agritech Limited to Technico in order to consolidate the entire Bio-technology business in Technico.

Technico has developed and owns proprietary Technituber™ Technology, which enables rapid multiplication of pathogen-free Early Generation Potato Seeds in a controlled environment. This technology can be applied to all varieties of potatoes and reduces substantial time in producing commercially viable seed potatoes. Technico has strategic marketing arrangement with some of the global players in the Food Processing Industry. Technico plans to transfer a major portion of its

Research and Development activities to India and to some extent China.

The consolidated sales of Technico Group for the 9 months ended March 31, 2004 amounted to AUD 900,529. These sales were by means of exports from Australian operation and marginal sale of Technituber© out of Australia and China businesses. Technico is subject to seasonal sales periods and the most of the sales revenue comes during April to June period.

The Cash Loss (after tax) for the aforesaid period amounted to AUD 2,378,660 (excluding share of loss from Indian Joint Venture). With higher turnover expected in China and Australia during 2004-05, Technico is expected to improve its financials.

(iii) Chambal Agritech Limited (CAL)

CAL was a 50:50 Joint Venture between your Company and Technico Pty. Ltd., Australia to produce miniature potato seeds patented as TECHNITUBER™. Your Company has transferred its entire shareholding in CAL to Technico in May 2004. As a result, CAL has now become a wholly-owned subsidiary of Technico Pty. Limited.

During the financial year 2003-04, CAL produced 11.75 million TECHNITUBER™ Seeds and 11,914 MT of Early Generation Seeds. As a part of export market development, CAL exported 78,000 TECHNITUBER™ Seeds to Egypt.

The marketing of Early Generation Seeds will commence on a substantial scale during 2004-05 although CAL sold a small quantity of about 3,100 MT of Early Generation Seeds during the year under review.

Since the financial year 2003-04 was part of the project gestation period, CAL has incurred a Cash Loss (after tax) of Rs. 4.41 crores. The next financial year being first full year of commercial sales, CAL is expected to break-even.

(iv) Chambal Biotech Private Limited (Chambal Biotech)

Chambal Biotech, Singapore is an associate of your Company and Zuari Investments Limited. It is a Special Purpose Vehicle (SPV) of your Company to make investment in Technico Pty. Limited. Chambal Biotech holds 51% equity stake in Technico Pty. Limited, Australia.

(v) Birla Home Finance Limited (BHFL)

BHFL is a 50:50 Joint Venture between your Company and BHW Holding AG, Germany. During the financial year 2003-04, BHFL has achieved sanctions and disbursements of Rs. 334 crores and Rs. 216 crores respectively as against Rs. 251 crores and Rs. 172 crores respectively during the year 2002-03. BHFL's sanction and disbursement figures have increased by 33% and 25% respectively during the above period.

This is despite of intense competition and successive interest rate cuts in the industry.

BHFL pursues its marketing efforts by directly marketing to prospective clients. It has 13 branches spread all over India. Its network includes 26 'representative offices', 3 satellite offices and one fixed deposit collection center. During the year, BHFL approved 35,978 Contracts with Contract Amount of Rs. 157.44 crores. Deposits under Easy Home Loan Deposit Scheme stood at Rs. 3.21 crores as on March 31, 2004.

During the year 2003-04, the Company has earned Cash Profit (after tax) of Rs. 2.83 crores as against Rs. 2.45 crores earned during the year 2002-03.

The Banks with their access to low cost funds have identified housing finance as a key thrust area. The entry of banks has significantly compressed yields that have made the industry highly competitive. Your Company and BHW evaluated various strategies for the future of BHFL, which included acquisition of your Company's holding in BHFL by BHW.

Accordingly, your Company entered into a Memorandum of Understanding for the sale of its holding in BHFL to BHW. Your Company will sell its entire shareholding of 5 crore equity shares in BHFL for an aggregate consideration of Rs. 110 crores. The transaction is subject to necessary statutory approvals.

(vi) Zuari Investments Limited (ZIL)

ZIL is an associate of Zuari Industries Limited and your Company. ZIL is a Securities and Exchange Board of India authorized category I Merchant Banker, member of Over the Counter Exchange of India and Depository Participant with both National Securities Depository Limited and Central Depository Services (India) Limited. ZIL has started working as Registrar and Share Transfer Agent (RTA) category-II with effect from November 15, 2003.

During the financial year 2003-04, ZIL witnessed an excellent growth in depository operations. The activity of retail distribution of financial products has also gained momentum.

During the financial year 2003-04, the income from various services was Rs. 270 lacs and the Cash Profit (after tax) was Rs. 61.87 lacs.

6. Subsidiary

NovaSoft Information Technology Corporation (NovaSoft)

NovaSoft, a New Jersey, U.S.A. based software company became a subsidiary of your Company with the conversion of convertible preferred stock into common stock on April 30, 2003. During the year 2003-04, your Company further invested US\$ 3.25 million in the common stock of NovaSoft thereby increasing its stake to 92.11%.

NovaSoft directly provides IT consulting services in USA and through wholly owned subsidiaries in United Kingdom, Germany and Singapore. The services offered by NovaSoft include professional services group, solutions group and



education. NovaSoft offers its services to manufacturing, financial, health and government sectors.

The revenue and Cash Loss (after tax) of Novasoft for 12 month period ended March 31, 2004 were US \$ 15.82 million and US \$ 1.52 million, respectively.

Your Company proposes to consolidate its software business by hiving off India Software Group (the Software Division of the Company, the details of which are provided in Annexure 'F' to this Report) into a wholly owned subsidiary. The proposed consolidation will also include transfer of the Company's investment in Novasoft Information Technology Corporation, to the new entity.

With the improvement in global economic outlook for software business, the performance of this business is expected to improve in next year.

The Company has applied to the Central Government seeking exemption under section 212(8) of the Companies Act, 1956 for attaching a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Company. 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 Nova Soft & its subsidiaries. The Company will make available annual accounts of Nova Soft and its subsidiaries alongwith related detailed information upon request by investors of the Company and its subsidiaries.

7. Environmental Protection and Safety

Your Company is deeply committed to environmental protection, pollution control & maintenance of ecological balance. The Company has set up "state of the art" environmental protection facilities. Both Gadepan-I & II plants have been accredited with ISO 14001 for Environment Management Systems by M/s Det Norske Veritas, Netherlands, an internationally reputed organization. Environment Management programmes and procedures laid down under ISO 14001 have facilitated to maintain very high standards of Pollution Control, Environment Protection, Safety and improvement in productivity & efficiency.

All through the years, significant efforts have been made towards continuous improvement of ecology with a focused thrust towards tree plantation, landscaping and development of green belt in and around the plant area. So far, as many as 2.66 lac trees/ shrubs of different species have been planted in the Gadepan complex and neighboring villages resulting in a significant improvement in the quality of environment.

8. Conservation of Energy

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

The requisite information with regard to conservation of energy, technology absorption and foreign exchange

earnings and outgo in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out in separate statements attached hereto (Annexure A & B) and forms part hereof.

9. Investor Service Centre

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

The securities of your Company are listed at National Stock Exchange, The Stock Exchange, Mumbai, Jaipur Stock Exchange and Calcutta Stock Exchange. During the year, the Company voluntarily de-listed its shares from Delhi Stock Exchange and Hyderabad Stock Exchange. Applications for de-listing are still pending with Jaipur Stock Exchange and Calcutta Stock Exchange. The Company has paid annual listing fee to National Stock Exchange and The Stock Exchange, Mumbai for the year 2004-05.

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

10. Fixed Deposits

As on March 31, 2004, your Company had 7,266 deposit-holders with fixed deposits of Rs. 1631.58 lacs. 113 deposit-holders have not claimed their FD amount of Rs. 24.22 lacs as on that date. Subsequently, 38 depositors have claimed/ renewed their deposits of Rs. 7.19 lacs. The remaining deposit-holders are being advised at regular intervals to claim their deposits.

11. Personnel

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

The Board places on record its deep appreciation for the efforts and contribution made by all the employees for continued high level of performance.

12. Corporate Social Responsibility

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

Your company addresses a range of issues that require attention and support. To upgrade the environment, it has taken water harvesting and tree plantation as a priority. To alleviate unemployment, your company has tried to be a mentor to select individuals in rural areas to make a career. To help improve quality of life, your company promotes sports, art and culture. Health care remains a concern and