



**CHAMBAL FERTILISERS
AND CHEMICALS LIMITED**

Report  Junction.com

**TWENTY SECOND ANNUAL REPORT
2006-2007**

CONTENTS

Notice	02
Directors' Report	05
Auditors' Certificate on Corporate Governance	13
Report on Corporate Governance	14
Management Discussion and Analysis Report	27
Auditors' Report	31
Balance Sheet	34
Profit & Loss Account	35
Cash Flow Statement	36
Schedules to Financial Statements	37
General Business Profile	67
Consolidated Auditors' Report	71
Consolidated Balance Sheet	72
Consolidated Profit & Loss Account	73
Consolidated Cash Flow Statement	74
Consolidated Schedules to Financial Statements	75

DIRECTORS

Dr. K.K. Birla
Chairman

S.K. Poddar
Co-Chairman

H.S. Bawa
Vice Chairman

Anil Kapoor
Managing Director

R.N. Bansal

Dipankar Basu

Shyam S. Bhartia

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

A.J.A. Tauro

Marco Wadia

SECRETARY

M.S. Rathore

SENIOR EXECUTIVES

D.L. Birla
Executive President – BTM

Abhay Baijal
Vice President – Finance

Alok Dayal
Vice President – Corporate HR

Vinod Mehra
Vice President – Operations

S.K. Patra
Vice President – Marketing

Arun Sharma
Executive President – India Steamship

Krishna Srinivasan
Chief Executive Officer – IT Business

Ashish Srivastava
Head – Food Processing

LEGAL ADVISORS

Crawford Bayley & Co.
Mumbai

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants

BRANCH AUDITORS

Singhi & Co.
Chartered Accountants

DEBENTURE TRUSTEE

UTI Bank Ltd.

BANKERS

Bank of Baroda
Allahabad Bank
Citibank
HDFC Bank
ICICI Bank
ING Vysya Bank
Punjab National Bank
State Bank of Hyderabad
State Bank of India
State Bank of Mysore
State Bank of Patiala
UTI Bank

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

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



NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the members of the Company will be held at 1030 hours on Friday, August 24, 2007 at the Registered Office of the Company at Gadepan, Distt. Kota, Rajasthan, to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2007, 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.
7. To appoint M/s. Singhi & Co., Chartered Accountants, as Branch Auditors for Shipping Business of the Company and fix their remuneration.

SPECIAL BUSINESS:

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:
"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 read with schedule XIII and other applicable provisions of the Companies Act, 1956, the Company hereby approves the appointment and remuneration of Mr. Anil Kapoor as Managing Director of the Company for a period of five years with effect from February 16, 2007, on such terms and conditions as approved by the Board of Directors and set out in the agreement, a copy of which is placed at the table of the meeting duly initialed for identification provided that Mr. Anil Kapoor will not be liable to retire by rotation .
RESOLVED FURTHER THAT the Board of Directors 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."
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:
"RESOLVED THAT in pursuance of Article 121(3) of the Articles of Association of the Company and Rule 10-B of the Companies (Central Government's) General Rules and Forms, 1956, consent of the Company be and is hereby accorded for the payment of sitting fee to non executive directors of the Company not exceeding an amount permissible under the Companies Act, 1956 and rules thereunder, from time to time."
10. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:
"RESOLVED THAT in supersession of the resolution passed by the members of the Company on September 24, 1996 and pursuant to section 293(1)(d) and other applicable provisions of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum(s) of money(s) on such terms and conditions and with or without security as the Board of Directors may think fit which, together with the money already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), may exceed for the time being the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount of money(s) so borrowed by the Board shall not, at any time, exceed the limit of Rupees 4000 crore.
RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do and perform all such acts, deeds and things (including delegation of this power) as may be necessary, desirable or expedient to give effect to this resolution."

By order of the Board

New Delhi
July 9, 2007

M. S. Rathore
Vice President- Legal,
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. **Book Closure**
The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, July 18, 2007 to Tuesday, July 24, 2007 (both days inclusive).
3. **Payment of Dividend**
The Dividend on Equity Shares for the year ended March 31, 2007, 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 24, 2007, after giving effect to all valid share transfers lodged with the Company on or before Tuesday, July 17, 2007.
- (ii) in respect of shares held in electronic form, to those beneficial owners whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited as at the end of business on Tuesday, July 17, 2007.

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

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

Dividend Year	Date of Declaration of dividend	Due date for Transfer to IEP Fund
2000-01	14.09.01	12.10.08
2001-02	12.09.02	10.10.09
2002-03	12.09.03	10.10.10
2003-04	20.08.04	19.09.11
2004-05	20.10.05	19.11.12
2005-06	25.08.06	27.09.13

Further, the Company shall not be in a position to entertain the claims of the shareholders for the unclaimed dividends which have been transferred to the credit of IEP Fund.

In view of the above, the shareholders are advised to send all the un-encashed dividend warrants pertaining to the years 2000-01 through 2005-06 to our Share Transfer Agent at New Delhi for revalidation and encash them before the due dates for transfer to the IEP Fund.

- 4. Investors holding physical shares are advised to forward the particulars of their bank account, name, branch and address of the bank to our Share Transfer Agent immediately, if not sent already, so as to enable them to incorporate the same on dividend warrants.
- 5. Investors holding shares in physical form are advised to opt for Electronic Clearing System (ECS) to avail fast and safe remittance of dividend and return the Mandate Form accurately filled in and signed at the earliest. A photocopy of a leaf of your cheque book bearing your bank account number may also be sent along with the Mandate Form to the Share Transfer Agent. A blank ECS Mandate Form is attached herewith.

6. Company on the Net

The website of your Company is www.zuari-chambal.com where you can 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.zuari-chambal.com/web-info-isc-final.htm>

7. Share Transfer Agent

M/s. Zuari Investments Limited is Share Transfer Agent of the Company. All investor related communication may be addressed to:
 M/s. Zuari Investments Limited,
 Share Transfer Agents
 'F' Block, 2nd Floor, International Trade Tower, Nehru Place, New Delhi – 110 019.
 Tel : 011 – 26480427, 26413361, 26480392 Fax : 011 – 26442082, 26413391 E-mail : isc@cfert.com

8. Members are requested to:

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

9. Pick-up Coach Facility

For the convenience of members intending to attend the Company's Annual General Meeting scheduled to be held at 1030 hours on August 24, 2007, the Company will provide transport from Kota to Gadepan and back. The pick-up coach will leave from "Sahyog Bhavan" No. 1, Aerodrome Circle, Kota, Rajasthan at 0900 hours on the date of AGM to reach Gadepan (venue of the AGM) in time for the meeting and will leave for Kota after the meeting.

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

By order of the Board

M. S. Rathore

Vice President- Legal,
 Corporate Communication & Secretary

New Delhi
 July 9, 2007



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

Item No. 8

Mr. Sunil Sethy, Managing Director of the Company had resigned as Managing Director of the Company with effect from February 16, 2007.

The Board of Directors of the Company has appointed Mr. Anil Kapoor as Managing Director of the Company w.e.f. February 16, 2007 for a period of 5 years with a starting basic salary of Rs. 2,50,000 per month (in the basic salary range of Rs. 2,50,000 - 6,00,000 per month) and other prerequisites as specified in the agreement.

The agreement containing the terms and conditions of appointment of Mr. 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 are concerned or interested in the resolution.

The Board commends appointment of Mr. Anil Kapoor as Managing Director of the Company.

Item No. 9

Your Company has been paying sitting fee to the Non Executives Directors @ Rs. 10,000 for each Board Meeting and @ Rs. 5,000 for each Committee Meeting attended by the Directors. As per the provisions of Rule 10-B of the Companies (Central Government) General Rules and Forms, 1956, the companies having paid up share capital and free reserves of Rs. 10 crore and above or turnover of Rs. 50 crore and above can pay sitting fee upto Rs. 20,000 to directors for attending each meeting of Board of Directors or Committee thereof.

In view of the above, your Company proposes to revise the sitting fee payable to the Non Executive Directors of the Company for attending the Board and Committee meetings suitably.

All the directors except Mr. Anil Kapoor are interested in the resolution.

The Board commends the resolution for your approval.

Item No. 10

The shareholders of the Company at their meeting held on September 24, 1996 had authorised the Board of Directors to borrow any sum or sums of money from time to time upto Rs.2500 crore exclusive of temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business.

Since then, your Company had forayed in various businesses and made substantial investments in urea production facility, yarn projects, shipping, seed potato, software, etc..

Further capital expenditure is envisaged in improving efficiencies and increasing the capacities of the Company's fertilizer plants at Gadepan. The Company is also evaluating additional capex proposals to venture in the Power sector. The proposed investments would require additional borrowings by the Company.

In view of the above, it is proposed to increase the borrowing limit from Rs. 2,500 crore to Rs. 4,000 crore.

None of the Directors of the Company is concerned or interested in the resolution.

The Board commends the resolution for your approval.

By order of the Board

New Delhi
July 9, 2007

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

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 22nd Annual Report together with audited accounts for the financial year ended March 31, 2007.

1. Financial Results and Appropriations

Particulars	(Rs. in crore)	
	2006-07	2005-06
(a) Turnover (excluding excise duty)	2591.31	2740.62
(b) Gross Profit after interest but before Exceptional Items, Depreciation and Tax	385.56	400.05
(c) Depreciation	176.60	158.95
(d) Profit before Exceptional Items and Tax	208.96	241.10
(e) Exceptional items	8.67	40.43
(f) Profit before Tax	217.63	281.53
(g) Provision for Current Tax	92.71	110.60
(h) Provision for Deferred Tax	(27.83)	(34.54)
(i) Fringe Benefit Tax	1.23	2.03
(j) Provision for Tonnage Tax	0.39	0.32
(k) Profit after Tax	151.13	203.12
(l) Balance of Profit brought Forward	399.67	300.49
(m) Transitional Provision of Accounting Standard-15 (Revised) (Net of deferred tax)	(2.53)	0.00
(n) Transferred from Debenture Redemption Reserve	10.29	16.00
(o) Profit available for Appropriation	558.56	519.61
(p) Appropriations:		
• Debenture Redemption Reserve	34.99	7.25
• Capital Redemption Reserve	0.00	0.25
• Tonnage Tax Reserve	9.00	2.00
• General Reserve	25.00	25.00
• Dividend on Preference Shares	-	0.01
• Proposed Dividend on Equity Shares	74.92	74.92
• Tax on Dividend	12.73	10.51
(q) Balance Carried Forward to Balance Sheet	401.92	399.67

2. Dividend

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

3. New Fertiliser Pricing Policy

The Government of India had introduced New Pricing Scheme (NPS) for Urea w.e.f. April 1, 2003. NPS was to be

implemented in three stages. Stage I & II of the NPS were completed on March 31, 2004 and September 30, 2006, respectively. Stage III of NPS commenced on October 1, 2006 and will continue till March 31, 2010.

Arising out of changes in some of the parameters like capacity utilization norms, pre-set energy consumption norms, etc., implementation of Stage III policy is expected to have a negative impact on profitability. However, the Company has represented to the Government of India to make the norms for Gadepan II Plants more equitable.

As per the NPS, the distribution of Urea was to be fully decontrolled from April 1, 2004. However, the Government decided to continue with 50% decontrol during the year 2006-07.

Your Company has prepared the accounts on the basis of notified concession prices for Urea under the New Pricing Scheme further adjusted for input price escalation/ de-escalation and expected impact of Stage III policy with effect from October 1, 2006. The concession in respect of Urea produced in excess of 100% capacity from Gadepan I & II Plants has been accounted for on an estimated basis in line with the known policy parameters.

4. Information on Business Segments

The detailed information on the business segments of the Company and the respective industries are given in the Management Discussion and Analysis Report attached as Annexure 'G' to this report.

5. Deal of the year

The Company has arranged a foreign currency loan of US\$ 154 million from a consortium consisting of ING Bank, BNP Paribas, KFW and Societe Generale to finance building of three aframax tankers. The facility is backed by Korea Export Insurance Corporation. This was the first time that Korean export credit agency has supported the export of ships into India.

This deal was awarded as the Deal of the Year - 2006 by Trade Finance Journal published by Economy Institutional Investor, Plc.

6. Joint Ventures and Associates

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

During the year 2006, IMACID produced 362,945 MT of Phosphoric Acid (P₂O₅) at a daily average plant rate of 1237 MTPD. Sales during the period were 361,769 MT of P₂O₅.

IMACID earned cash profit of MAD 295.8 million (net of tax) during the year 2006 as against MAD 318.4 million in 2005. The decrease in cash profit for 2006 was mainly on account of higher tax outgo, unfavourable impact of exchange rate variation and lower production and sales of P₂O₅. Lower production was mainly due to longer plant shutdown required to implement the revamp project.

The Capacity Augmentation Project-II to increase



annual capacity of P_2O_5 from 365,000 MT to 430,000 MT was completed and new capacity went on stream in September, 2006. The project was commissioned at a capital cost of MAD 214.9 million as against projected cost of MAD 238 million.

(ii) Zuari Investments Limited (ZIL)

ZIL is a member of National Stock Exchange of India Limited for equity as well as Futures & Options (F&O) segment and Over the Counter Exchange of India. ZIL is also a depository participant with National Securities Depository Limited and Central Depository Services (India) Limited and a Category-II Registrar and Share Transfer Agent registered with the Securities and Exchange Board of India

During the year, ZIL has become a member of the Bombay Stock Exchange to complete its bouquet of Broking Services.

ZIL has promoted Zuari Chambal Insurance Solutions Limited (ZCISL) as its wholly owned subsidiary. This subsidiary has commenced operations as a Direct Broker for Life and Non-Life segment after receiving the licence from Insurance Regulatory and Development Authority.

ZIL has now become one stop shop for Stock Broking, Depository Services, Investment Advisory Services and Insurance Broking Services (through its subsidiary) and is fully poised to reap the benefits of a buoyant capital market.

During the financial year 2006-07, the income of ZIL from various services was Rs. 580.94 lacs and cash profit was Rs. 155.99 lacs.

7. Subsidiaries

(i) Chambal Biotech Private Limited

Chambal Biotech is a Special Purpose Vehicle of your Company for making investment in Seed Potato Business and it holds 77.64% equity stake in Technico Pty. Limited, Australia.

(ii) Technico Pty. Limited, Australia and its Subsidiaries (Technico)

The Technico business continued on its growth curve and has penetrated deeper into India, China, Middle East and African markets. The strategy of focusing on the emerging markets of China and India and expanding the business from these bases through domestic market penetration and export market initiatives is working, satisfactorily.

Strong brand recognition in the Indian market has helped to establish the Technico product as the quality leader. The year 2006-07 has seen growth in sales revenues and profits. This business, like the rest of the Potato seed industry was challenged by the continuous bad weather in the major seed growing region of Punjab which resulted in somewhat lower yields.

The China business is in the early stage of building its field seed pipeline. Technico is continuing to grow in exports. In 2006-07 Technico exported about 70% of its TECHNITUBER® seed to markets in the Middle East and Africa.

Although Technico is at an early stage in the start-up cycle with its Canada business, the market is beginning to recognize the quality benefits of the Technico's seed products.

Overall, the Technico has achieved across the board gains in the business over 2005-06. On an EBIDTA basis, Technico has delivered a profit of AUD 1.15 million during the year 2006-07 against a loss of AUD 0.85 million in 2005-06.

For the year ended March 31, 2007, Technico achieved sales revenue of AUD 8.97 million and cash profit of AUD 0.3 million (versus a cash loss of AUD 1.85 million in 2005-06).

(iii) CFCL Overseas Limited, Cayman Islands (CFCL Overseas)

CFCL Overseas was incorporated during the year as a Special Purpose Vehicle (wholly owned subsidiary) of your Company for consolidation of its software business. As on date, the total investment of your Company in CFCL Overseas stands at Rs. 185 crore.

(iv) NovaSoft Information Technology Corporation, USA and its Subsidiaries (NovaSoft)

During the year under review, NovaSoft was engaged in Mortgage business vertical with focus on the residential mortgage segment. NovaSoft growth strategy comprises of acquiring the best software technology platform vendors, industry-leading consulting services and on-shore BPO capabilities via inorganic growth. As a part of this strategy, NovaSoft has acquired residential mortgage division of Fair Isaac, a US based listed company. This acquisition will broaden the product lines of NovaSoft and will enable it to participate in substantially all aspects of the mortgage processing cycle.

The Revenue and Cash Losses of NovaSoft for 12 month period ended March 31, 2007 were US \$ 15.01 million and US \$ 7.10 million, respectively.

(v) ISG Novasoft Technologies Limited (ISG Novasoft)

During the year under review, ISG Novasoft has embarked in the third-party India BPO sector, focusing on the broad area of asset based lending services, with an initial thrust in residential mortgages. ISG Novasoft is executing a unique and innovative platform-based BPO strategy in scaling up transactional BPO services in India to capture the compelling cost advantages that an India back-end offers.

The Revenue and Cash Losses of ISG Novasoft for 12 month period ended March 31, 2007 were Rs.357.43 lacs and Rs.1011.37 lacs, respectively.

The Company has received approval of the Government of India, exempting it under section 212(8) of the Companies Act, 1956 from attaching with its Annual Report, the copies of the Balance Sheet, Profit and Loss Account, Board of Directors' Report and Auditor's Report of its subsidiary companies. However, pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of its subsidiaries, as applicable. The Company will make available the Annual Accounts of its subsidiaries alongwith relative detailed information upon request by investors of the Company or its subsidiaries.

8. Environmental Protection and Safety

(a) Environment Management

The Company has established and maintained an Integrated EHS (Environmental, Occupational Health and Safety) Management System based on ISO-14001: 2004 and OHSAS-18001: 1999.

Sustainable Development

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

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

Managing and Recycling of waste

The Company is managing well designed and operated programmes / treatment facilities to control pollution. Major thrust is on 3R concept (Reduce, Re-use and Re-cycle) of generated effluents after their proper treatment. More than 98% of generated effluents are recycled in the processes.

Rest of the waste water is being used in maintaining a green belt through a 35 KM long irrigation network spread all over the complex, which in turn helps in conserving fresh water. The Company's lush green campus at Gadepan has an environment which consists of fully developed green belt, gardens, lawns, shrubs and landscaping.

Tree Plantation

A positive change in Ecology of the area surrounding Gadepan complex is experienced due to development of a dense green belt/ forest inclusive of over 2.25 lac trees in an area of about 213 hectares under a programme named "Operation Green". This has provided habitat to more than 100 species of birds.

Water consumption

Water consumption is optimized through implemen-

tation of various conservation schemes. The trend of consumption shows a continual improvement. Last year the specific consumption of water was 5.22 cubic meter per MT of urea. This level is one of the best in the fertilizer industry.

The Company has constructed an anicut on non-perennial River Kalisindh. The Company had taken up a project of implementation of rain water recharge wells at different locations around the township in Gadepan in a phased manner for ground water recharging by rain water harvesting.

Solid / Hazardous Waste Management

Your Company has adopted best practices to manage Solid / Hazardous Waste disposal after proper categorization. Saleable items are sold to the approved recyclers. There is strict prohibition on use of polythene bags in the Gadepan campus.

(b) Safety Management

Safety initiatives

Safety is accorded the highest priority in your Company. Many new safety initiatives are initiated every year to achieve excellence in safety.

A strong safety and occupational-health programme is in place to ensure the safety of employees as well as plant and equipment.

Your company has initiated action to implement Process Safety Management System based on 29 CFR 1910.119, developed by OSHA of USA in its operations. It shall help in preventing / minimizing serious process related incidents which may cause releases of high hazardous gases.

British Safety Council's five-star grading

Your company has received the 5-Star rating of British Safety Council during the recent audit for its Occupational Health & Safety Management System at Gadepan.

Safety Awareness programme

A number of safety awareness activities, such as quiz competitions, the screening of video films, slogan contests, safety exhibitions, etc., are organized regularly and more particularly during Safety Week and Fire Week every year.

Near-miss reporting

The Company is continuously focusing on reporting and recording all near-miss incidents by both Company and contractors' employees. This process helps in preventing accidents and in identifying root causes. A committee has been constituted to administer the near-miss scheme. As an incentive to the staff, an award is given to the three most important near-miss reports of the year.

Incentive Scheme for Safety Promotion

Various "Safety Promotion Schemes" have been introduced to encourage safety awareness, commitment and promotion amongst the employees of the



Company and the contractors. There are Rewards for completion of million man hours without Loss Time Injury, Safe Turn Around and Near Miss Reporting. Your Company has completed 699 days safe operations without any reportable accidents till April 2007.

Good Housekeeping

Your Company ensures excellent house keeping standards in the plants, offices and township. Audit and Interdepartmental "Good House Keeping Competition" is being organized regularly.

Emergency Handling

Your Company has a well-defined Onsite Disaster Management Plan in the factory at Gadepan, which clearly defines the duties of all the employees during emergency. Regular mock drills are conducted to check the emergency preparedness in-house as well as with local administration.

EHS Audits

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

Achievements

Your Company received the following awards instituted to encourage implementation of strategies for improvement in EHS standards and rewarding those businesses and organizations that lead by example.

- Good Green Governance Award from Srithi, Delhi – 2006;
- British Safety Council 5 Star Safety Award – 2006;
- Golden Peacock Environment Eco-Innovation Award – 2006;
- FAI Runners-up Award for best Performance in Nitrogenous Fertilizer – 2006.

(c) Health & Hygiene

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

In this regard Comprehensive Work Environment Monitoring was carried out by a team from Bharat Heavy Electricals Limited, Trichi and their recommendations have been implemented.

A team of experts from Central Labour Institute, Mumbai conducted ergonomics study at Gadepan and Corporate Office and their recommendations have been also implemented.

Regular work environment monitoring is done to prevent any occupational disease. The Company medical officer conducts regular health awareness programmes.

9. Conservation of Energy

Your Company strives to make the plants energy efficient to

the extent possible and continually reviews various schemes to conserve energy.

The requisite information with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out in separate statements attached hereto (Annexure A & B) and forms part hereof.

As regards conservation of energy in Shipping Division, there is little scope, if any, for conservation measures in respect of the conventional types of ships owned by your Company. Information required to be furnished in Form A is not applicable to shipping industry. It has no information to furnish in Form B regarding technology absorption. Total foreign exchange earning and outgo with respect to the Shipping Division has been provided alongwith the other divisions of the Company in Form B.

10. 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 of India Limited, Bombay Stock Exchange Limited and the Calcutta Stock Exchange Association Limited. The application for voluntary de-listing has been pending with the Calcutta Stock Exchange since December 2003. The Company has paid annual listing fees to National Stock Exchange of India Limited and Bombay Stock Exchange Limited for the year 2007-08.

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

11. Fixed Deposits

As on March 31, 2007 your Company had 1579 depositors with fixed deposits of Rs. 517.85 lacs. 88 depositors have not claimed their Fixed Deposit amount of Rs. 21.29 lacs as at year end. However, 8 depositors have since claimed/renewed their deposits of Rs.2.77 lacs. The remaining depositors are being advised at regular intervals to claim their deposits.

12. Personnel

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

13. Corporate Social Responsibility

Rural Infrastructure

Your Company is committed towards the development of rural infrastructure and to help improve the quality of life in the villages around and in the vicinity of the plant. Since 1994, your Company has taken a number of initiatives in this area in consultation with local administration at village, block levels and the community. Your company has paid a