



**CHAMBAL FERTILISERS
AND CHEMICALS LIMITED**

**“If only I could rely on the weather gods
as I rely on Chambal.”**

Sardar Mahant Singh, Farmer

A N N U A L R E P O R T 2 0 1 0 - 1 1

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DIRECTORS

S.K. Poddar
Chairman

Shyam S. Bhartia
Co-Chairman

H.S. Bawa
Vice Chairman

Anil Kapoor
Managing Director

R.N. Bansal

Dipankar Basu

K.N. Memani

C.S. Nopany

Radha Singh

Marco Wadia

SENIOR EXECUTIVES

Abhay Baijal
Vice President – Finance

A.K. Bhargava
Vice President – Operations

D.L. Birla
Executive President – BTM

V.K. Gupta
Vice President – Marketing

Vinod Mehra
President – Operations

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

Arun Sharma
Executive President – India Steamship

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants

BRANCH AUDITORS

Singhi & Co.
Chartered Accountants

COST AUDITORS

K.G. Goyal & Associates

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

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

NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the members of the Company will be held at 1000 hours on Friday, September 16, 2011 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, 2011, Profit & Loss Account for the year ended on that date and reports of Directors and Auditors.
2. To consider declaration of dividend on Equity Shares.
3. To appoint a director in place of Mr. Ram Nath Bansal, who retires by rotation and is eligible for re-appointment.
4. To appoint a director in place of Mr. Marco Philippus Ardeshir Wadia, who retires by rotation and is eligible for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution: **"RESOLVED THAT** Mr. Harbachan Singh Bawa, Director who retires by rotation at this meeting and who has expressed his unwillingness for re-appointment, be not re-appointed and the resulting vacancy be not filled up at this meeting."
6. To appoint M/s. S. R. Batliboi & Co., Chartered Accountants, as Statutory Auditors of the Company and fix their remuneration.
7. To appoint M/s. Singhi & Co., Chartered Accountants, as Branch Auditors for Shipping Business of the Company and fix their remuneration.

SPECIAL BUSINESS:

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution: **"RESOLVED THAT** in partial modification of the resolution passed in this regard in the annual general meeting of the members of the Company held on August 27, 2010, pursuant to Sections 198, 309 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof for the time being in force and Article 121(2) of the Articles of Association of the Company, consent of the Company be and is hereby accorded for payment of commission upto Rs. 4,00,000 per annum to each of the non-executive Directors of the Company, for a period of 4 (four) years starting from the financial year 2011-12; provided that the total commission payable to all the non executive directors shall not exceed one percent of the net profits of the Company as computed in the manner referred to under the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof for the time being in force. **RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to determine the commission payable to each of the non-executive directors for each year within the limits mentioned in the foregoing resolution and to do all such acts, deeds, matters and things as may be necessary and incidental to give effect to the aforesaid resolution."
9. 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, 311 and other applicable provisions of the Companies Act, 1956, if any, the Company hereby approves the payment of

retention incentive of Rs. 4,96,125 to Mr. Anil Kapoor, Managing Director of the Company in September 2011, in addition to the salary, allowances, perquisites and other benefits payable to him as per the terms of his appointment."

10. 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, if any, the Company hereby approves the re-appointment of, and remuneration payable to Mr. Anil Kapoor as Managing Director of the Company for a period of three years with effect from February 16, 2012, on such terms and conditions as approved by the Board of Directors and set out in the contract, 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 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,

New Delhi

July 19, 2011

Corporate Communication & Secretary

Notes:

1. Proxy

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

2. Explanatory Statement

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

3. Directors proposed to be re-appointed

M/s. Ram Nath Bansal and Marco Philippus Ardeshir Wadia, directors are retiring by rotation and eligible for re-appointment. Members may kindly refer "Report on Corporate Governance" (Annexure 'E' to Directors Report) for their details.

4. Book Closure

The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, August 24, 2011 to Thursday, August 25, 2011.

5. Certificate from Auditors

The certificate from the auditors of the Company certifying that the Company's 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 members.

6. Payment of Dividend

The Dividend on Equity Shares for the year ended March 31, 2011, 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 25, 2011, after giving effect to all valid share transfer documents lodged with the Company on or before Tuesday, August 23, 2011.
- (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, August 23, 2011.

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
2003-04	20.08.2004	19.09.2011
2004-05	20.10.2005	25.11.2012
2005-06	25.08.2006	27.09.2013
2006-07	24.08.2007	24.09.2014
2007-08	10.09.2008	10.10.2015
2008-09	20.08.2009	20.09.2016
2009-10	27.08.2010	01.10.2017

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 2003-04 through 2009-10 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 circular No. 17/2011 dated April 21, 2011 and circular No. 18/2011 dated April 29, 2011 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 (where the shares are held in physical form) 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.in where you can find more information about the Company, its subsidiaries and Joint Venture. 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, Annual Report, etc. are available at the page <http://www.chambalfertilisers.in/InvestorServiceCentre.asp>.

9. 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:

- (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
- (b) 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 1000 hours on September 16, 2011, 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 0830 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. 8

The shareholders at the twenty fifth annual general meeting held on August 27, 2010 had approved payment of commission upto Rs. 4,00,000 (Rupees Four Lac only) per annum to each of the independent directors of the Company for a period of 5 years starting from the Financial Year 2010-11. The Board of Directors of the Company has recommended to the members of the Company for their approval, payment of commission upto Rs. 4,00,000 (Rupees Four Lac only) per annum to each of the remaining non-executive directors also for a period of 4 years with effect from the Financial Year 2011-12.

The aggregate commission payable to all non-executive Directors at any time, shall not exceed one percent of the net profits of the Company computed in the manner referred to under the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof and shall be paid in addition to the

sitting fee payable to them for attending meetings of the Board and Committee thereof.

In pursuance of section 309 of the Companies Act, 1956, the payment of commission requires approval of the members by way of a special resolution.

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

The Board commends the Resolution for approval of the shareholders.

Item No. 9

The Remuneration Committee had formulated a Retention Incentive Scheme (Scheme) for the employees in category of Sr. Manager and above in the Fertiliser Division and Managing Director of the Company. The Scheme is one of the tools for retention and to reduce attrition of the employees. As per the Scheme, a sum of Rs. 4,96,125 is payable to Mr. Anil Kapoor as retention incentive in September 2011. The Board of Directors has approved payment of aforesaid retention incentive to Mr. Anil Kapoor, subject to approval of the shareholders.

The retention incentive payable to Mr. Anil Kapoor in September 2011 shall tantamount to modification in the existing terms of his remuneration and will require approval of the shareholders.

The contract entered into between Mr. Anil Kapoor and the Company in respect of retention incentive shall be available for inspection by the members of the Company at the Registered Office of the Company between 1000 hours to 1200 on any working day prior to the date of the meeting.

The aforesaid information should also be treated as an abstract of the variation of the terms of the contract with Mr. Anil Kapoor under section 302 of the Companies Act, 1956.

None of the Directors except Mr. Anil Kapoor is concerned or interested in the resolution.

The Board commends the resolution for your approval.

Item No. 10

Mr. Anil Kapoor was appointed as Managing Director of the Company for a period of five years w.e.f. February 16, 2007 and his current tenure expires on February 15, 2012. The Board of Directors at its meeting held on July 19, 2011 re-appointed Mr. Anil Kapoor as Managing Director of the Company for a period of three years w.e.f. February 16, 2012. The terms of re-appointment of Mr. Anil Kapoor including the remuneration payable to him are as under:

a) Salary & Allowances:

- (i) Basic salary of Rs. 4,50,000 (Rupees four lac fifty thousand) per month in the range of Rs. 4,50,000 to Rs. 10,00,000 p.m.
- (ii) The increment may be determined by the Board of Directors from time to time.
- (iii) Special allowance of Rs. 1,00,000 per month.
- (iv) The Company shall provide fully furnished accommodation or House Rent Allowance equivalent to 60% of the basic salary.
- (v) Performance Bonus may be determined by the Board of Directors each year.

Retention Incentive as per details given below:

- a) Rs. 4,96,125 payable in September 2012;
- b) Rs. 6,61,500 payable in September 2013;
- c) Rs. 8,26,875 payable in September 2014;

The payment of retention incentive shall be governed by the Retention Incentive Scheme approved by the Remuneration Committee. As per the Retention Incentive Scheme, if Managing Director retires upon completion of his tenure, he shall be entitled to receive retention incentive of Rs. 8,26,875 which shall be payable to him in September 2015.

- (vi) Settlement allowance equivalent to 6 months last drawn basic salary (as applicable to the senior executives of the Company) shall be payable to Managing Director at the end of his tenure.
- (vii) Employees Stock Option: He shall continue to be eligible for all the benefits of the stock options granted to him under CFCL Employees Stock Option Scheme 2010.

b) Perquisites and other Benefits:

- (i) Two Company provided and maintained AC cars with two chauffeurs.
- (ii) In addition to the above, all the perquisites and other benefits including Leave Travel Concession, medical reimbursement, gratuity, Employer's contribution to Provident Fund, Superannuation Fund, Club Fee (not more than two clubs), etc. as applicable to its senior executives, shall be applicable and allowed to the Managing Director as per the rules of the Company.

c) Other Terms

- (i) In the event of the Company earning inadequate profits or incurring losses, the remuneration shall be revised as per the limits provided in Section II of Part II of Schedule XIII to the Companies Act, 1956.
- (ii) Either of the parties to the contract may terminate the contract by giving the other party three months' notice in writing.

All other terms of appointment of Mr. Anil Kapoor shall remain unchanged.

The aforesaid information should also be treated as an abstract of the terms of the contract with Mr. Anil Kapoor under section 302 of the Companies Act, 1956.

The appointment letter containing the terms and conditions of re-appointment 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.

Mr. Kapoor's detailed profile including his directorships in other companies is included in the "Report on Corporate Governance" (Annexure 'E' to Directors Report).

None of the directors except Mr. Anil Kapoor are concerned or interested in the resolution.

The Board commends the resolution for your approval.

By order of the Board

M. S. Rathore

Vice President – Legal,

Corporate Communication & Secretary

New Delhi

July 19, 2011

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 26th Annual Report together with audited accounts for the financial year ended March 31, 2011.

1. Financial Results and Appropriations

Particulars	(Rs. in crore)	
	2010-11	2009-10
(a) Turnover (excluding excise duty)	4646.40	3574.50
(b) Gross Profit after Interest but before Exceptional Items, Depreciation and Tax	704.38	612.06
(c) Depreciation / Amortization	267.95	257.62
(d) Profit before Exceptional Items and Tax	436.43	354.44
(e) Exceptional items	4.37	4.37
(f) Profit before Tax	440.80	358.81
(g) Provision for Current Tax	159.21	129.62
(h) Provision for Deferred Tax	(44.31)	(20.49)
(i) Provision for Tonnage Tax	0.72	0.63
(j) Profit after Tax	325.18	249.05
(k) Balance of Profit Brought Forward	759.65	628.43
(l) Transferred from Debenture Redemption Reserve	3.12	3.13
(m) Profit available for Appropriation	1087.95	880.61
(n) Appropriations:		
• Tonnage Tax Reserve	0.50	3.75
• General Reserve	35.00	25.00
• Proposed Dividend on Equity Shares	79.08	79.08
• Tax on Dividend	12.83	13.13
(o) Balance Carried Forward to Balance Sheet	960.54	759.65

2. 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 tax.

3. Operations

The Directors are pleased to report yet another year of growth and prosperity of your Company. The performance of the Fertiliser Business of the Company was encouraging. Your Company achieved the highest ever annual Urea production and sales in Gadepan-I & II plants during the year. The Company achieved new high in trading particularly in pesticide business. There was a substantial growth both in the revenue and profitability from the trading activity.

The Textile Business has also fared well during the year under review. There has been substantial increase in the top line and bottom line of the Textile Business. The better realization has mainly contributed to the excellent performance of this business.

The Shipping Business of the Company witnessed another challenging year. The charter rates have reached to new lows resulting into sluggish performance of this Business.

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.

4. 'Corporate Governance Report' and Code of Conduct

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 three way Joint Venture of M/s. Tata Chemicals Ltd., OCP, S.A., Morocco and your Company. The performance of IMACID during the year - 2010 was encouraging. IMACID produced 348,158 MT of Phosphoric Acid (P_2O_5) during the year 2010 as against 359,656 MT of P_2O_5 produced during the year 2009. IMACID achieved sale of 355,977 MT P_2O_5 during the year 2010 as against sales of 369,996 MT P_2O_5 achieved in the year 2009.

IMACID achieved revenue of MAD 2309.10 Million (Rs. 1271.71 crore) during the year 2010 as against revenue of MAD 1791.87 Million (Rs. 1090.66 crore) achieved in the year 2009. IMACID earned profit after tax of MAD 183.64 Million (Rs. 101.14 crore) during the year 2010 as against MAD 35.09 Million (Rs. 21.36 crore) in the year 2009.

6. Subsidiaries

(i) Chambal Infrastructure Ventures Limited and its Subsidiaries

Chambal Infrastructure Ventures Limited ("CIVL") was set up by your Company for entering in to Power business. It had set up two wholly owned subsidiaries viz. Chambal Energy (Chhattisgarh) Limited and Chambal Energy (Orissa) Limited for taking up power projects in the states of Chhattisgarh and Odisha, respectively. CIVL is pursuing various business opportunities for setting up power projects in the states of Odisha and Chhattisgarh. CIVL is in continuous dialogue with the Government of Odisha for various approvals for the power project.

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

CFCL Overseas Limited is wholly owned subsidiary of your Company. CFCL Technologies Limited is the flagship Company for software business and also a subsidiary of CFCL Overseas Ltd. With the acquisition of Fiserv Fulfillment Services Inc., USA ("FFS") in 2009, the Software Business has become one of the leading full service end-to-end mortgage services providers in the USA mortgage markets with a full complement of technology and knowledge process outsourcing (KPO) services. The customers consist primarily of large and medium size mortgage banks in the USA.

In 2010, the Software Business has deployed significant efforts towards integrating the indigenous and acquired businesses. Since the acquisition of FFS, Software Business has successfully transitioned customer relationships and was able to sustain and grow the revenues.

CFCL Technologies Limited and its subsidiaries follow the January to December Financial Year. The Software Business as a whole achieved revenue of USD 128.65 million during 2010 as against USD 36.4 Million achieved during the 9 month period ended on December 31, 2009. The EBITDA before exceptional and one-off items was negative at USD 5.08 million during the Year 2010. The negative EBITDA was primarily due to the year 2010 being the first year of integration of the acquired business of FFS. The efforts are on to turn the business EBITDA positive during the Year 2011.

(iii) India Steamship Pte. Limited, Singapore

Due to prevailing poor markets, operations in India Steamship, Singapore have been kept at a minimum level.

Operations will be scaled up through in-chartering of vessels once the markets are bottomed out.

During the year 2010-11, India Steamship, Singapore has earned a revenue of USD 7.10 million and incurred a loss (after tax) of USD 0.43 million.

(iv) **India Steamship Limited, India (ISL)**

ISL has been incorporated on April 01, 2011 as subsidiary of your Company. ISL is yet to commence its business.

Exemption: The Government of India vide its circular dated February 08, 2011 granted general exemption to the companies under section 212(8) of the Companies Act, 1956 from attaching with Annual Report, the copies of the Balance Sheet, Profit and Loss Account and other documents of the 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 offices 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 and ISO-9001:2008.

(a) Health & Hygiene

Your Company accords high priority to health & hygiene monitoring at work place. Employees' health assessment and occupational disease monitoring is done through periodical medical examinations.

A well equipped medical centre in the campus at Gadepan works round the clock to provide Health Services to employees, contractor workforce, their families and the villagers in the vicinity of the plants.

The plant and processes were 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. Many of our employees are certified first-aiders and their knowledge was updated every month. Senior officials of the Company have been imparted refresher training on first aid and occupational health.

(b) Safety Management

A strong occupational – health and safety management system is in place to ensure safety of employees, contractor workforce as well as equipment and machinery.

The township at Gadepan is OHSAS-18001:2007 & ISO-14001:2004 certified. Although not mandatory, your Company has also implemented Process Safety Management System (PSM) developed by Occupational Safety & Health Administration (OSHA) of USA in its operations for proactive identification, assessment & control of hazards. Process incidents were reviewed as per PSM guidelines and trainings and audits were conducted for overall improvement.

To maintain and improve upon the well established safety system, trainings were conducted by both internal & external expert faculties on rescue, fire fighting & emergency handling, electrical safety, material handling, road safety etc. Employees were sent to reputed institutes for specialized trainings. All senior officials of the Company underwent practical training on fire fighting.

To encourage safety awareness among employees and contractor workforce, the scheme of "Near- Miss" reporting is in place. All near misses, minor injuries and incidents were reviewed, analysed, and corrective actions were taken.

To improve safety work culture and bring reduction in injuries Personal Protection Equipments (hand gloves, dust mask, ear plugs, etc.) were provided free to all contract workers. New safety & emergency handling equipments have been added and fire alarm system has been upgraded.

Emergency handling: Your Company has a well-defined Onsite Disaster Management Plan. The plan was reviewed, revised & updated this year. Regular mock drills were conducted to check the emergency preparedness. Visits and consultations were done with near-by industries to learn from each other and improve and our official participated in District Crisis Group meeting chaired by Collector, Kota district.

(c) Environment Management

(i) **Sustainable Development** – Your Company is totally committed to sustainable development and has completed various environment programmes keeping the global environment in mind, viz. Rain Water Harvesting, Ground Water Recharging, energy conservation measures, pollution control, use of solar energy, etc.

(ii) **Waste Management** – The Company continues to follow the 3R concept (Reduce, Re-use and Re-cycle) of the effluents being generated. More than 98% of water used in the process is recycled water. Treated waste water is used in maintaining green belt through a 65 kilometer long irrigation network spread all over the Gadepan complex.

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

(iii) **Green belt and water consumption** – The area surrounding Gadepan complex is experiencing a positive change in Ecology due to development of a dense green belt / forest inclusive of over 2.3 lac trees in an area of about 212 hectares under a programme named "Operation Green". This has provided habitat to more than 100 species of birds. During the year, 700 fruit trees and 2000 other trees were planted.

Water consumption is optimized through implementation of various conservation schemes. Special efforts have been made in cooling towers, fire water network, drinking water net work and de-mineralisation water plant for optimizing water consumption. The trend of consumption shows a continual improvement with the specific consumption of water at 4.92 cubic meters per MT of urea this year, as

against 5.05 cubic meters per MT of urea during 2009-10, which is one of the best in the Fertilizer Industry.

(d) Quality Management

Adequate attention is accorded to maintain quality of end product and processes. Stringent monitoring of defined parameters of quality is ensured. Bulk flow coolers have been installed in bagging plant for improving product quality along with increased production.

(e) Health, Safety, Environment & Quality (HSEQ) Audits

Teams of trained internal auditors regularly conduct HSEQ audits with special emphasis on house keeping, health & hygiene, safety, environment and quality. Surprise visits are conducted to plant and canteen to ensure highest standard of housekeeping & hygiene. Quantitative Risk Analysis was conducted by an external agency, Ammonia Storage safety was reviewed by the designer and Risk based Inspection is under progress.

(f) Achievements

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

- 11th Annual Greentech Environment Excellence Award 2010
- FAI Environmental Protection award 2010
- FAI award for 2nd Best Video Film 2010 - Environment
- Rajasthan Energy Conservation Award- 2010, second position

8. Corporate Social Responsibility

Your Company is committed towards the development of neighboring areas through building rural infrastructure and improving the quality of life. The Company has taken number of initiatives for the community development in the vicinity of its plants at Gadepan in consultation with local administration.

In order to initiate and sustain meaningful actions in this regard, your Company has full spectrum Corporate Social Responsibility (CSR) program under the umbrella of "Uttam Roshani". The "Uttam Roshani" program is designed as per participatory planning process to involve stakeholders for sustainable development of the area.

Under Uttam Roshani programme, focus 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 the following initiatives under this programme:

- Sanitation** – The Company has initiated a project to improve sanitary practices through "community participation" and "people led" programmes. The Company is constructing 715 toilets under Total Sanitation Campaign of the Government of India, for below poverty line families under Public Private Community Partnership model in 22 villages around the Fertiliser plants. In light of the significant gender dimension of sanitation, this project has encouraged active involvement of women in the implementation of the program.
- Drinking Water & Rain Water Harvesting** – The Company has helped in construction of Hand-pumps & tube-wells in surrounding villages. Drinking water system is constructed at Gadepan, Ballabhpura & Pachda villages.
- Community Health Care** – In addition to the Medical Center in Gadepan providing free medical aid and ambulance services in case of emergencies, the Company

operates a mobile Health Care Unit in 14 villages under which a doctor and nursing assistant provide free medical check up and medicines to people at their doorstep. The team attended 22,382 patients during the year. In addition to this, the Company organizes the services of visiting specialists in various fields like pediatrics, gynecology, skin, dental, eye and ENT and 1591 patients benefited during the year. Further CFCL conducted a family planning camp in consultation with Health Department, Kota at Sultanpur in which 61 surgeries were carried out.

iv) Education - Your Company has adopted ITI, Sangod under the Government of India's Public Private Partnership scheme for its upgradation.

v) CFCL's Initiatives on Rural Infrastructure

CFCL has been contributing towards rural infrastructure development by construction of School rooms, Kharanja roads (stone pavement) with drain, gravel link roads, etc. as per need of community. Further, CFCL has renovated/constructed 4 crematoriums in surrounding villages by constructing platforms and sheds.

vi) CFCL's Initiatives on Agriculture & Veterinary Services

Agriculture and livestock development forms the backbone of rural livelihood. At the grassroots level, farmers are largely unaware about latest developments. Recognizing this gap, your Company has set up two Uttam Krishi Clinics (UKCs) to enhance the awareness levels of farmers in the field of agriculture & animal husbandry.

vii) Reporting on triple bottom line performance

The Company had commenced reporting on its triple bottom line (Environment, Economic and Social Parameters) performance from FY 2009-10. The Sustainability Report of the Company is externally assured and is in accordance with Global Reporting Initiative (GRI) guidelines.

As a recognition of various Corporate Social initiatives, your Company received "Golden Peacock Award for Corporate Social Responsibility" for the year 2010.

Birla Textile Mills (BTM) had constructed two class rooms with verandah in Government Middle School, Bhatouli Kalan, Himachal Pradesh. A cool water hut was also constructed in front of factory main gate to provide clean and cool water. BTM also organized a Free Medical Health Check-up Camp on August 31, 2010 in the memory of former Chairman Late Dr. K. K. Birla. The team of specialist Doctors of Orthopedic, Medicine, Skin, E.N.T., Eye, Gynecology, etc. provided medical help to 500 people and also distributed prescribed medicines to the patients.

9. Disclosure of Particulars

Your Company strives to make the plants as energy efficient as possible and continually reviews various schemes to conserve energy. The requisite information with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out in Annexure "A" annexed hereto and forms part hereof.

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. It 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 information to investors about new corporate benefits, unclaimed benefits, etc.

The securities of your Company are listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited. The Company has paid annual listing fees to these Stock Exchanges for the year 2011-12.

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, 2011, your Company had 61 depositors with fixed deposits of Rs. 16.22 lac. As on that date, 42 depositors had not claimed their Fixed Deposit amount of Rs. 10.50 lac despite being reminded regularly. However, 5 depositors have claimed their deposits of Rs. 1.15 lac since then.

12. Employee Stock Option Scheme

The members of the Company in 25th Annual General Meeting held on August 27, 2010 had approved CFCL Employees Stock Option Scheme 2010 ("ESOP 2010") for grant of stock 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 ("Committee"). The Committee has granted 31,50,000 stock options under ESOS 2010 to the eligible employees and Managing Director of the Company in two tranches during the Financial Year 2010-11. 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".

The Board of Directors has decided to not to pursue the Employees Stock Option Scheme introduced in the year 2008.

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 nine non-executive directors and a Managing Director. Three directors namely M/s. H. S. Bawa, R. N. Bansal and Marco Wadia are due for retirement by rotation at the forthcoming Annual General Meeting. M/s. R. N. Bansal and Marco Wadia are eligible and have offered themselves for re-appointment and they are not related to any of the directors of the Company. However, Mr. H.S. Bawa has expressed his unwillingness for re-appointment. Mr. H.S. Bawa is one of the founder directors and Vice Chairman of your Company. Chambal was a brainchild of Late Dr. K.K. Birla and Mr. Bawa. The Company has set up two world class fertilizer plants under Mr. Bawa's leadership, making it one of the largest Urea producers in the Country. His unstinted efforts and guidance enabled your Company to reach to the current level. The Board expresses its sincere gratitude and appreciation of the contribution made by Mr. Bawa during his tenure as Director.

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 (pursuant to Section 228 of the Companies Act, 1956), 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.

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, 2011 and of the profit of the Company for the year ended March 31, 2011;
- 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 group accounts form part of this Report & Accounts. These group accounts also incorporate the 'Accounting Standard 27 – Financial Reporting of interest in Joint Ventures' issued by the Institute of Chartered Accountants of India. These group accounts have been prepared on the basis of audited financial statements received from subsidiaries 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, Financial Institutions, Commercial Banks, Stakeholders and all others whose continued support and co-operation has been a source of strength to the Company enabling it to achieve its goals. Your Directors also wish to place on record their sincere appreciation of the unstinted devotion and commitment of every employee of the Company.

By order of the Board

New Delhi
May 10, 2011

S. K. Poddar
Chairman