

# THE RIGHT DIRECTION

Report  Junction

24<sup>th</sup> Annual Report 2006-07



Report  junction.com

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**GHCL Limited**

## COMPANY INFORMATION

### BOARD OF DIRECTORS

<b>Sanjay Dalmia</b>	Chairman
<b>Anurag Dalmia</b>	
<b>Neelabh Dalmia</b>	
<b>Dr. B C Jain</b>	
<b>Jagdish Capoor</b>	
<b>H H Faruqi</b>	
<b>G A Tadas</b>	Nominee (IDBI)
<b>R W Khanna</b>	Nominee (Exim Bank)
<b>Naresh Chandra</b>	
<b>Mahesh Kheria</b>	(Alt. to Mr. S H Ruparell)
<b>P Sampath</b>	Managing Director
<b>R S Jalan</b>	Managing Director
<b>Tej Malhotra</b>	Sr. Executive Director (Operations)

### COMPANY SECRETARY

**Bhuwadeshwar Mishra**

### REGISTERED OFFICE

"GHCL HOUSE"  
Opp. Punjabi Hall,  
Navrangpura,  
Ahmedabad -380 009 (Gujarat)

### CORPORATE OFFICE

"GHCL House"  
B-38, Institutional Area,  
Sector - 1  
Noida - 201 301 (UP)  
Website: [www.ghcl.co.in](http://www.ghcl.co.in)

### MAJOR SUBSIDIARIES

1. Colwell and Salmon Communications (India) Limited
2. Colwell & Salmon Communications Inc, USA
3. Indian Britain B V, the Netherlands
4. Indian England N V, the Netherlands
5. Indian Wales NV, the Netherlands
6. S C GHCL Upsom SA, Romania
7. GHCL Inc, USA
8. Dan River Inc., USA
9. Best Textile International Limited, USA
10. GHCL Rosebys Limited
11. Rosebys Operation Limited
12. Others - As per Statement given U/S 212

### STATUTORY AUDITORS

Jayantilal Thakkar & Co.  
Rahul Gautam Divan & Associates

### WORKS

#### SODA ASH

Village - Sutrapada,  
Near Veraval,  
Distt. Junagadh - 362 275  
Gujarat

#### SALT REFINERIES

- a) Ayyakaramulam  
Kadinalvayal - 614 707  
Distt. Nagapattinam  
Tamilnadu
- b) Nemeli Road,  
Thiruporur - 603 110  
Tamilnadu

#### TEXTILES

- a) Samayanallur P O  
Madurai -625 402
- b) Thaikesar Alai P O  
Manapara - 621 312
- c) S. No.191, 192, Mahala Falia,  
Village Bhilad, Distt. Valsad,  
Gujarat-396105, India

#### ITES

C-39, Sector - 58  
Noida

#### ENERGY DIVISION

- (a) Muppandal, Irukkandurai Village  
Sankaneri Post Radhapuram  
Taluk, Tirunelveli District  
Tamilnadu
- (b) Chinnaputhur village,  
Dharapuram Taluk,  
Erode District, Tamil Nadu

#### BANKERS / FINANCIAL INSTITUTIONS

State Bank of Travancore  
Bank of Maharashtra  
Canara Bank  
State Bank of Hyderabad  
Dena Bank  
Development Credit Bank Ltd.  
State Bank of Saurashtra  
Industrial Development Bank of India Ltd.  
Bank of India  
State Bank of Patiala  
HSBC  
Deutsche Bank AG  
Life Insurance Corporation of India  
General Insurance Corporation of India  
National Insurance Co. Ltd.  
Oriental Insurance Co. Ltd.  
United India Insurance Co. Ltd.  
Export Import Bank of India  
GE Capital Services India Ltd.  
Rabo Bank

#### SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound  
LBS Marg  
Bhandup - West  
Mumbai - 400 078



## CHAIRMAN'S STATEMENT

***"We are entering the growth phase wherein our strategy is translating into real financial benefit for all the stakeholders"***

The year gone by has been seen us put up a solid progress across our business and geographical segments, together with signs of stronger growth coming through in future years. It has been one of the landmark year's in GHCL's growth trajectory, with significant achievements, endorsing GHCL's reputation as a leading diversified company.

The year has been significant for GHCL—not only because of three more global acquisitions in USA and UK in the textiles space, which has got us to be the only globally vertically integrated home textiles player. But it has been significant because it marked the successful implementation of a period of strategic change and more importantly, the recognition & acceptance of our business strategy.

Your company made excellent progress in the execution of its planned strategies for growth, operational excellence, financial performance and transformation. I am pleased that the stakeholders across the geographic locations and segments have recognised this and have shown confidence in GHCL and its vision for the future.

### Financials and acquisitions

During the period, we have strengthened our position in the developed markets of the west by making strong inroads into the newer customers/clients base and consolidating the relationship with the existing ones.

### Soda Ash

**Your company** completed the expansion of additional **2.5 lacs MTPA** capacity at its plant in Sutrapada in Gujarat which has taken the total capacity of the Indian soda ash operations to **8.5 Lacs MTPA**.

Globally the company's total soda ash capacity has increased to **11.5 lacs MTPA**, including 3,00,000 MTPA capacity at its Romanian operations (**S.C. GHCL Upsom S.A.**) which your company had acquired last year.

The company would be further expanding its Indian capacity by another 2.5 Lacs MTPA as a part of its plan to take the total capacity to 11,00,000 MTPA which would provide the company with the leadership position in the domestic soda ash market.

### Home Textiles

In the textiles area in the year gone, your company made three substantial overseas acquisitions which

include, Best Manufacturing Group, HW Baker of USA and Rosebys Retail of UK. The company is now the only integrated home textiles player in the world where its global retail home textiles business has established an annual revenue platform of over \$ 615 Million per annum.

The revenue mix for the company has started showing a healthy growth tilt in favor of home textiles which accounted for close to 34% of the total revenue from 29% that it used to contribute earlier.

The acquisition of Best Manufacturing Group has made GHCL as the only company in the world which will cater to the all the Segments including a- Retail Chain in the US; Hotel and Restaurant industry; Hospital Industry. We are in the process of expanding the operations for all these 3 sectors into other parts of the world also so that we can service these industries globally.

Post this acquisition, Dan River has strengthened its market share by penetrating into the institutional segment of hospitals & hospitality (hotels and restaurants). The inclusion of which has led Dan River to achieve an overall substantial market share in Retail, institutional and hospitality.

With the growth of institutional and hospitality sectors in the US, we are looking to expand our market share substantially with a wider product portfolio. The recently signed US \$100 million contract for North America with Starwood Hotels is proof of our growing acceptability among the larger clients in the hospitality segment and we are also in talks with them for further expanding this relationship to service Starwood through a larger Global Contract. We are aggressively looking to further expand our service horizon and relationship with such similar clients globally. We would also be leveraging our global infrastructure in building our capability to service such large orders and contractual relationships.

This we believe is the ideal combination of low cost strong manufacturing base with a large established marketing platform to put GHCL on the fast track growth.

GHCL has over the recent past has its position in the developed markets of the west by making strong inroads into the newer customers/clients base and consolidating the relationship with the existing ones.

We have successfully integrated our Indian and foreign operations both in the soda ash and textiles businesses. Given the strength of our operations and encouraging levels of customer demand, we remain positive on the performance in the coming times and expect to post improved margins going forward.

### The economic environment

The economic environment has remained favorable during the period under review, with strong demand and improving manufacturing activity supporting the brighter growth outlook. Consumer and retail confidence has surged, while business confidence has risen to a record peak. We anticipate seeing the benefits of the changes in the longer term and our operations are already positioning themselves at the forefront to maximize opportunities.

### Outlook

We are looking at positioning GHCL among the top players within its focused verticals. We would create and build infrastructure and invest in people's initiatives to rank among the best places to work.

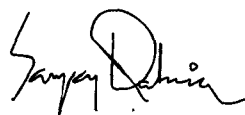
We are expecting a much stronger year ahead both in terms of revenue and margin growth in the coming years on the back of successful execution and implementation of our business strategy & plan. We are taking substantial initiatives for creating and leveraging the organic growth opportunities across business in multiple geographic locations. We are on a continuous look out for the inorganic growth opportunities that would catapult us into newer growth orbits going forward.

Continuous evolving of a strong risk management framework and policies would lead GHCL successfully confront any challenges and threats that come its way.

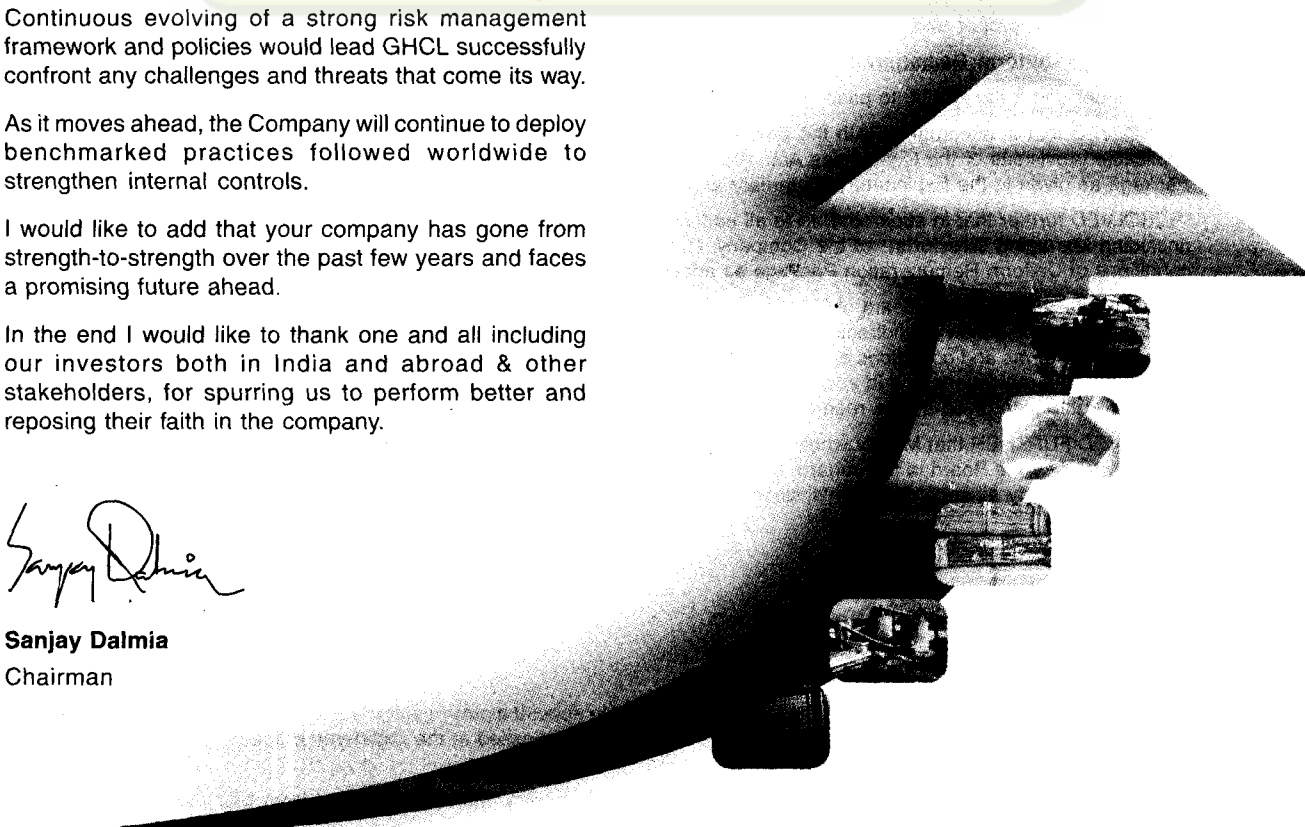
As it moves ahead, the Company will continue to deploy benchmarked practices followed worldwide to strengthen internal controls.

I would like to add that your company has gone from strength-to-strength over the past few years and faces a promising future ahead.

In the end I would like to thank one and all including our investors both in India and abroad & other stakeholders, for spurring us to perform better and reposing their faith in the company.



**Sanjay Dalmia**  
Chairman



**GHCL Limited****NOTICE**

NOTICE is hereby given that the 24<sup>th</sup> Annual General Meeting of the members of GHCL Limited will be held at The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad - 380 006 (Opp. Gajjar Hall) on Monday, July 30, 2007 at 10:15 AM to transact the following businesses:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007, Profit and Loss Account for the period ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To declare final dividend for the period ended March 31, 2007.
3. To appoint a director in place of Mr. S H Ruparell, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Dr. B C Jain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. H H Faruqi, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a director in place of Mr. Tej Malhotra, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint M/s Jayantilal Thakkar & Co., Chartered Accountants and M/s Rahul Gautam Divan & Associates, Chartered Accountants as Joint Auditors of the Company, to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to authorize Board of Directors to fix their remuneration.

**SPECIAL BUSINESS:****8. Re-appointment of Mr. R S Jalan as Managing Director**

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 Section 198, 269, 309, 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment thereof and pursuant to Article 166 of the Articles of Association of the Company, Mr. R S Jalan be and is hereby re-appointed as a Managing Director of the Company, for a period of 5 years with effect from June 7, 2007, liable to retire by rotation, on such terms and conditions including remuneration as stated in the Explanatory Statement annexed to the Notice convening this meeting with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment in such manner as Board may think fit;

RESOLVED FURTHER that the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem necessary, proper and expedient to give effect to this resolution."

**9. Approval of Uniform Remuneration Package for Whole Time Directors (Including Managing Directors)**

To Consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:-

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956, or such other approvals as may be required the Uniform Remuneration Package as given in the Explanatory Statement annexed to the notice be and is hereby approved;

"RESOLVED further that in supercession to all earlier approvals given by members in this regard, the Whole time Directors (including Managing Director(s)) of the Company, shall be entitled to the remuneration in accordance with the terms and conditions of Uniform Remuneration Package as approved in the aforesaid resolution with effect from April 1, 2007;

RESOLVED FURTHER that Board of Directors be and is hereby authorized to decide and fix remuneration, perquisites and other benefits for the individual directors and to do all necessary acts, deeds and things, including any alteration, amendment or variation in terms and conditions of Uniform Remuneration Package, within the overall approval given by the shareholders in the aforesaid resolutions and in accordance with the applicable provisions of the Companies Act, 1956 or direction of the statutory authorities given in this regards.

RESOLVED FURTHER that Mr. Bhuwneshwar Mishra, Company Secretary of the Company or any other officials, which may be authorized by the Board in this regard, be and is hereby severally, authorized to do all such acts, deeds, matters, things, execute and certify all such documents, deeds and writings as may be required for the aforesaid purposes.

**Registered Office:**

GHCL HOUSE  
Opp. Punjabi Hall  
Navrangpura, Ahmedabad - 380009  
Dated : June 16, 2007

By Order of the Board  
For **GHCL LIMITED**

Sd/-

**Bhuwneshwar Mishra**  
Company Secretary

**NOTES**

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. A proxy need not be a Member. Proxies in order to be effective must be deposited at the registered office of the Company not less than 48 hours before the commencement of the Meeting.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from Monday July 23, 2007 to Monday July 30, 2007 (both days inclusive).



- (3) The dividend as recommended by the Board of Directors will be paid to those members whose names appear on the Company's Register of Members on July 23, 2007. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership furnished by National Securities Depositories Limited (NSDL) and Central Depositories Services (India) Limited (CDSL) for this purpose.
- (4) The relevant details of directors seeking reappointment under Items No. 3 to 6, as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges is given herein below.
  - (a) Mr. S H Ruparell (DOB - December 5, 1931) is a Director of the Company. He is an expert in Corporate Laws and Solicitor authorized to administer Oath in UK. He is not a member or Chairman of any Board or committee, other than GHCL Limited. He does not hold any shares in the Company.
  - (b) Dr. B C Jain (DOB - October 8, 1938) is a Director of the Company. He is LL. B, ACCS, Ph. D. and Fellow member of Institute of Chartered Accountants of India and his area of specialization is Finance, Banking and Accounting. He is a Chairman of Audit Committee, Member of the Remuneration and Project Committee of the Company. He is not a member or Chairman of any Board or committee, other than GHCL Limited. He does not hold any shares in the Company.
  - (c) Mr. H H Faruqi (DOB - June 20, 1941) is a Director of the Company. He is M. Com., LL. B. He is a Member of Audit Committee, Remuneration and Project Committee of the Company. He is not a member or Chairman of any Board or committee, other than GHCL Limited. He does not hold any shares in the Company.
  - (d) Mr. Tej Malhotra (DOB - June 9, 1950) is a Sr. Executive Director (Operations) of the Company. He has 34 years of experience in Engineering, Manufacturing and General Management. Mr. Malhotra is neither a member of more than 10 Committees nor a Chairman of more than 5 Committees. He is on the Board of S C GHCL Upsom, Romania S.A. Mr. Malhotra does not hold any shares in the Company.
- (5) Members are requested to notify immediately any change of address to their Depositories Participants (DPs) in respect of their electronic share accounts and to the Share Transfer Registrar of the Company in respect of their physical share folios, if any.
- (6) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for deletion or / change in such bank details. Further instruction, if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depositories Participants.
- (7) Members are requested to send their queries, if any, at least seven days in advance of the meeting so that the information can be made available at the meeting.
- (8) All documents referred to in the Notice and Explanatory Statement is available for inspection at the Registered Office of the Company during the business hours on all working days of the Company up to the date of the Annual General Meeting.
- (9) Members attending the Meeting are requested to complete the enclosed slip and deliver the same at the entrance of the meeting hall.
- (10) Persons attending the Annual General Meeting are requested to bring their copies of Annual Reports as the practice of distribution of copies of the report at the meeting has been discontinued.
- (11) Dividend for the financial year March 31, 2001, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government (IEPF) in the month of October 2008 pursuant to provisions of Section 205A of the Companies Act, 1956. Members who have not en-cashed their dividend warrant (s) for the financial year ended March 31, 2001 or any subsequent financial year (s), are requested to lodge their claims with Intime Spectrum Registry Ltd (ISRL). However, in respect of unclaimed dividend for the financial year ended March 31, 2001 only those claims, which are received by ISRL on or before August 31, 2008, will be entertained. Members are advised that once the unclaimed dividend is transferred to IEPF no claims shall lie in respect thereof.
- (12) Electronic Clearing Service (ECS) Facility: With respect to payment of dividend, the Company provides the facility of ECS to all shareholders, holding shares in electronic and physical forms.

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

##### **Item no. 8**

The Board of Directors has re-appointed Mr. R S Jalan as Managing Director of the Company for a period of five years with effect from June 7, 2007. The disclosure in accordance with the provisions of Clause 49 of Listing agreement in regard to the reappointment of Managing Director is given below:

Mr. R S Jalan, born on October 10, 1957, is a graduate in Commerce and Fellow member of Institute of Chartered Accountants of India and having a very wide experience in Corporate Finance and Textiles. Mr. R S Jalan has more than 30 years of Industrial experience. Mr. R S Jalan is a Director on the Board of Dan River Inc. USA, GHCL Rosebys Ltd UK, Rosebys Operations Ltd. UK, Rosebys Holdings Ltd. UK, Rosebys (2004) Ltd. UK, Rosebys Unlimited UK, Best Textiles International Ltd. USA, Best Real Properties Inc. USA, Sumedha Investments Pvt. Ltd. and Sachin Holdings Pvt. Ltd. He is a member of Shareholders Grievance





Committee of the Company and he does not hold any shares in the Company. Mr. R S Jalan fulfills the eligibility criteria set out under Part I of Schedule XIII to the Companies Act, 1956. The remuneration payable to Mr. R S Jalan is in line with the Uniform remuneration package payable to Whole time Directors and Managing Director. This approved remuneration package is also in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

1. Basic Salary: Rs. 3,40,000/- per month, which may be increased by such amount as the Board may determine from time to time within the overall approval given in Uniform Remuneration Package as approved by the members.
2. Perquisites: Mr. R S Jalan shall also be entitled to the perquisites covering Housing, Medical Reimbursement, Leave, Leave Travel Concession, Club Fee, Personal Accident Insurance, conveyance, Telephone as approved under the Uniform Remuneration Package.

Except Mr. R S Jalan none other directors are interested in the resolutions. Your Board recommends the above resolution for your approval.

#### Item No. 9

During the period of last 15 months the company has successfully completed various acquisitions in Romania, UK and USA besides the successful completions of expansion program in existing Soda Ash plant at Sutrapada and a green field project at Vapi for Home Textiles. At present your Company is in the phase of restructuring of its domestic and global businesses.

The Uniform Remuneration Package was initially approved by shareholders in their meeting held on September 26, 1996 and thereafter various amendments were carried out in the various meetings of the shareholders from time to time. Further, provisions of the Companies Act, 1956 and Schedule XIII, related with the remuneration of managerial persons are also amended in the period of 11 years.

In order to consolidate all the earlier approvals of shareholders and rationalize the package of Whole time Directors in pace with the amended provisions of the Companies Act, 1956 and in commensurate with the size of the businesses of the Company, it is felt necessary to move a proposal for updated Uniform Remuneration Package.

Pursuant to provisions of Section 198 read with 309 of the Companies Act, 1956, the remuneration payable to Whole time Director(s) including the Managing Director(s) shall not exceed five percent of the net profits for one such director or ten percent for all of them together. However, above limit can be increased by taking the approval of Central Government.

Your Board of Directors has considered the Uniform Remuneration Package in their meeting held on June 16, 2007 and recommended the same for your approval in accordance with applicable provisions of the Companies Act, 1956.

The Remuneration payable to Whole time Director(s) including Managing Director(s), as approved by the Board are as follows:

#### 1. **Basic Salary:**

Basic Salary payable to each of the Whole time Director(s) (including Managing Director(s)) shall not exceed Rs. 6,00,000/- per month. The annual increments in basic salary will be decided by the Board of Directors on recommendation of Compensation / Remuneration Committee of the Company.

2. **Perquisites:** Perquisites to each of the Whole time Director (s) (including Managing Director(s)) shall be equivalent to their respective annual basic salaries. The individual break up shall be decided by the Board on recommendation of Compensation/ Remuneration Committee of the Company from time to time.

The breakup of perquisites is as follows:

#### 2.1 **Housing:**

The expenditure incurred by the Company on providing unfurnished accommodation for the Director shall be as per rule of the company subject to ceiling of 60% of the basic salary. In case no accommodation is provided, the Director shall be entitled to House Rent Allowance subject to ceiling of 60% of the basic salary.

The expenditure incurred by the Company on Gas, Electricity, Water shall be valued as per Income Tax Act, 1962 amended from time to time.

#### 2.2 **Medical Reimbursement:**

Expenses incurred by the Director and his family shall be in accordance with the policy of the Company.

#### 2.3 **Leave:**

Full pay leave for one month for every eleven months of services.

#### 2.4 **Leave Travel Concession:**

For the director and his family, once in a year, incurred in accordance with the rules specified by the Company.

#### 2.5 **Club Fee:**

Fee of Clubs subject to maximum of two clubs. Admission fee and membership fee are excluded.

#### 2.6 **Personal Accident Assurance:**

Premium on each director not to exceed Rs. 4000 per annum.



**2.7 Conveyance:**

Free use of Company's car with driver for official use.

**2.8 Telephone:**

Free use of telephone facility at residence and mobile phone for official use.

In addition to the above perquisites, the director shall also be eligible to the following, which shall not be included in the computation of the perquisites value.

**(a) Provident Fund:**

As per Rules of the Company.

**(b) Superannuation:**

As per Rules of the Company.

**(c) Gratuity:**

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

**(d) Encashment of Leave:**

Encashment of leave at the end of the tenure.

- 3. Commission/ Special Allowance:** Annual Commission, salary and other perquisites (i.e. overall remuneration) payable to Whole time Directors and Managing Director(s) shall not exceed 10% of the net profits of the Company for the year in respect of which the remuneration is paid. The individual breakup of commission will be decided by the Board/ Compensation Committee from time to time and shall not exceed the overall ceiling stipulated U/s 198 and 309 of the Companies Act, 1956 or any amendment thereto. Or

In the event of no profit or inadequate profit, special allowance payable to Whole time Directors (including Managing Director(s)) not exceeding twice the annual salary as approved by the Board. The special allowances for individual directors shall be decided by the Board/ Compensation Committee subject to compliance of Section 309 read with schedule XIII and other applicable provisions of the Companies Act, 1956.

**4. Minimum Remunerations:**

Where in any financial year during the currency of tenure of a Whole time Director(s) including Managing Director(s), the Company has no profits or its profits are inadequate, the Company will pay remuneration to a Whole time Director(s) including Managing Director(s) by way of salary and perquisites as specified in Uniform Remuneration Package or in accordance with provisions of Schedule XIII and any other applicable provisions of the Companies Act, 1956, including any amendment thereto from time to time, which ever is less.

- 5.** All other terms or privileges or facilities shall be in accordance with the standard rules of the company applicable to the senior officers of the Company.
- 6. Employees Stock Option:** The Whole time Director(s) including Managing Director(s) shall be entitled for Employees Stock Option as per the scheme applicable to the Company.

In accordance with the provisions of Clause 49 (Corporate Governance) of Listing Agreement, the total remuneration including the commission paid to Whole time Directors are given in the Corporate Governance Report. The Uniform Remuneration Package, if approved by the shareholders shall be effective from April 1, 2007.

Mr. P Sampath, Mr. R S Jalan and Mr. Tej Malhotra, being Whole time Directors of the Company are interested in the proposed resolution as it concerns their remuneration for the services rendered and no other directors are interested in the above resolution. Your Board of Directors recommends the above resolution for your approval.

The explanation together with accompanying notice is and should be treated as abstract U/s 302 of the Companies Act, 1956 in respect of changes in the remuneration of Whole time Director(s) including Managing Director(s).

**Registered Office:**

GHCL HOUSE  
Opp. Punjabi Hall  
Navrangpura, Ahmedabad - 380009  
Dated : June 16, 2007

By Order of the Board  
For **GHCL LIMITED**  
Sd/-  
**Bhuvneshwar Mishra**  
Company Secretary



## DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the 24<sup>th</sup> Annual Report of the Company together with Audited Accounts of the Company for the period ended (fifteen months) March 31, 2007.

### OPERATIONAL RESULTS

The summary of the financial performance of the Company for the period ended March 31, 2007 (fifteen months) compared to the previous period ended December 31, 2005 (nine months) are given below:

Particulars	(Rs. In Million)	
	Period Ended March 31, 2007 (15 months)	Period Ended December 31, 2005 (9 months)
Net Sales /Income	10,832.70	4822.86
Gross profit before interest and depreciation	2,870.69	1395.71
Interest	187.58	78.00
Profit before depreciation and preliminary expenses- (cash profit)	2,683.11	1317.71
Depreciation/Preliminary expenses written off	587.14	296.83
Profit before Tax	2,159.73	1020.88
Provision for Taxation-Current	249.14	300.59
Provision for Taxation-Deferred	413.27	(9.76)
Fringe Benefit Tax	14.54	8.74
Profit after Tax	1,482.78	721.31
Balance brought forward from last year	1,349.06	912.92
Arrears of Depreciation/ Deferred revenue expenditure for earlier years/ provision for earlier years not required	4.15	(12.01)
Excess/ (short) provision for tax for earlier years	(14.15)	3.89
Debenture Redemption Reserve written back	91.67	55.34
Investment Allowance Reserve written back	108.60	
Amount available for appropriation	3,022.11	1681.45
<b>Appropriations</b>		
General Reserve	148.50	72.18
Proposed Dividend	268.89	228.21
Tax on Dividend	45.70	32.00
Balance carried to Balance sheet	2559.02	1349.06

*\*The financial year of the company has been changed from December ending to March ending and hence current financial year is for a period of fifteen months. The financials reported in this reports are of fifteen months compared with the previous year figure of nine months and hence not comparable.*

### PERFORMANCE HIGHLIGHTS

#### Soda Ash

Your company has successfully completed its expansion of Indian soda ash manufacturing capacity by 2.50 lacs MTPA to 8.50 lacs MTPA during the period. This expansion will enable additional quantum availability during the subsequent periods both for the domestic and export markets. The overall demand growth in India and global market is quite strong.

Globally, your company's soda ash production capacity has increased to 11.5 lacs MTPA with 8.50 lacs MTPA in India and 3.00 lacs MTPA at its Romania operations, SC GHCL Upsom SA, (acquired in December 2005). The capital investment programme in the Romania plant is progressing as planned which will enable availability of improved quality Dense Soda Ash to tap the requirement of quality glass producers like Saint Gobain, Owens, Guardian, Striom, P&G etc.

#### Home Textiles

In the Home Textiles arena, your company has completed the expansion of spindles capacity in India to 1,15,000 spindles from 90,000 spindles earlier. The process of adding another 25,000 spindles is in progress. The operations at Vapi Home Textiles plant is stabilizing with the improved capacity utilization.

Your company, during the period has strengthened its position in the global Home Textiles market through the following acquisitions made by its subsidiaries.

- In January 2006, acquired in USA, Dan River Inc, a leading manufacturer and marketer of home textile products to retailers and institutional customers. Your company acquired 100% equity of Dan River Inc.
- In July 2006, acquired in UK, Rosebys, UK's largest home textile retail chain having more than 300 retail stores across UK. Your company acquired 100% equity of Rosebys.
- In December 2006, the USA assets of HW Baker Linen were acquired by Dan River Inc. Baker is a leading supplier of textiles products covering sheets, terry linen, blankets, pillows etc. to leading hotels and motels.
- In February 2007, acquired in USA Best International Inc., a leading manufacturer and distributor of home textiles products and certain related items for the hospitality and healthcare sector in USA.

The acquisition of BEST Manufacturing Group has made GHCL, the only Home Textile Company in the world which will cater to all segments covering a Retail Chain in the US, Hotel and Restaurant industry and Hospital Industry. We are in the process of expanding the operations for all these three segments into other parts of the world also so that we can service these segments globally.