

Tata Chemicals Limited

Contents

	Page No.		Page No.
Corporate Information	2	Consolidated Financial Statements	
Notice	3	- Auditors' Report	77
Directors' Report	9	- Balance Sheet	78
Management Discussion and Analysis	18	- Profit & Loss Account	79
Corporate Governance Report	26	- Cash Flow Statement	80
Summarised Balance Sheet and Profit and Loss Account	39	- Schedules to Profit and Loss Account	82
Auditors' Report	40	- Schedules to Balance Sheet	84
Balance Sheet	44	- Notes to Consolidated Balance Sheet and Profit and Loss Account	90
Profit and Loss Account	45		
Cash Flow Statement	46	Financial Statistics	99
Schedules to Profit and Loss Account	48		
Schedules to Balance Sheet	52		
Notes to the Balance Sheet and Profit and Loss Account	63		
Balance Sheet Abstract and Company's General Business Profile	75		
Financial Highlights — Last Decade	76		

Annual General Meeting	: July 17, 2006
Time	: 3.30 p.m.
Venue	: Birla Matushri Sabhagar, 19, Sir Vitthaladas Thackersey Marg, Mumbai - 400 020

BOOK CLOSURE DATES
JULY 1, 2006 — JULY 17, 2006

CORPORATE INFORMATION

Board of Directors

(As of March 31, 2006)

Ratan N. Tata
(Chairman)

R. Gopalakrishnan
(Vice-Chairman)

Keshub Mahindra
(Ceased to be a director w.e.f. March 24, 2006)

D. M. Ghia

Nusli N. Wadia

R. C. Khanna

Dr. D. V. Kapur

Prasad R. Menon
Managing Director

Dr. T. Mukherjee

Homi R. Khusrokhhan
Executive Director

Dr. Vijay L. Kelkar

Registered Office

Bombay House,
24, Homi Mody Street,
Fort, Mumbai 400 001
Tel: 022-66658282
Fax: 022-66658143

Visit us at: www.tatachemicals.com

Management Team

Prasad R. Menon	Managing Director
Homi R. Khusrokhhan	Executive Director
P. K. Ghose	Chief Financial Officer
Kapil Mehan	Chief Operating Officer (Fertilisers)
R. Mukundan	Chief Operating Officer (Chemicals)
Satish Sohoni	Chief Operating Officer (Food Additives)
B. Sudhakar	Head-Corporate HR & Administration
I. L. Momin	VP-Operational Excellence
P. M. Khanderia	V P-New Projects
Sanjiv Lal	V P-Manufacturing
P. C. Jain	V P-Manufacturing
Dr. Arup Basu	V P-Manufacturing
A. Tyagi	V P-Bangladesh Project
Dr. Murli Shastri	Chief Scientist
T. Vinod Kumar	Head-Corporate Audit & Risk Management

Company Secretary

B. Renganathan

Registrar & Share Transfer Agent

TSR Darashaw Limited
(Formerly Tata Share Registry Limited)
Army & Navy Building,
148, Mahatma Gandhi Road,
Mumbai 400 001.

Solicitors

Mulla & Mulla and
Craigie Blunt & Caroe, Mumbai.

Auditors

Messers S. B. Billimoria & Co.,
Chartered Accountants
Messers N. M. Rajji & Co.,
Chartered Accountants

Works

Inorganic Chemicals — Mithapur, Gujarat
Fertilisers — Babrala, Dist. Badaun, U.P.
Phosphate — Haldia, W. Bengal

Bankers

Bank of America, Bank of Baroda, Citibank N.A., Deutsche Bank, HDFC Bank Limited, Punjab National Bank, Standard Chartered Bank, State Bank of Bikaner & Jaipur, State Bank of India, The Hongkong and Shanghai Banking Corporation Ltd., ICICI Bank Ltd.

NOTICE

NOTICE IS HEREBY GIVEN THAT THE SIXTY-SEVENTH ANNUAL GENERAL MEETING OF TATA CHEMICALS LIMITED will be held on Monday, July 17, 2006, at 3.30 p.m. at Birla Matushri Sabhagar, 19 Sir Vithaldas Thackersey Marg, Mumbai 400 020, to transact the following business: -

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2006 and the Balance Sheet as at that date, together with the Reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend on Ordinary Shares.
3. To appoint a Director in place of Mr. R. N. Tata, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Nusli N. Wadia who retires by rotation and is eligible for re-appointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that Mr. D. M. Ghia, a Director liable to retire by rotation, who does not seek re-election, is not re-appointed a Director of the Company."

"RESOLVED FURTHER that the vacancy, so created on the Board of Directors of the Company, be not filled."

6. To appoint auditors and fix their remuneration.
7. **REVISION IN THE TERMS OF REMUNERATION OF MR. PRASAD R. MENON, THE MANAGING DIRECTOR**

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

"RESOLVED THAT, in partial modification of the Resolution passed at the Annual General Meeting of the Company held on July 21, 2005 and in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') read with Schedule XIII of the Act, the Company hereby approves the revision in the perquisites and allowances payable to Mr. Prasad R. Menon, the Managing Director (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year during the tenure of his appointment) with effect from April 1, 2006, for the remainder of the tenure of his contract, as set out in the Explanatory Statement annexed to the Notice convening this meeting."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

8. **REVISION IN THE TERMS OF REMUNERATION OF MR. HOMI R. KHUSROKHAN, THE EXECUTIVE DIRECTOR**
- To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT, in partial modification of the Resolution passed at the Annual General Meeting of the Company held on September 20, 2004 and in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') read with Schedule XIII of the Act, the Company hereby approves the revision in the perquisites and allowances payable to Mr. Homi R. Khusrorkhan, the Executive Director (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year during the tenure of his appointment) with effect from April 1, 2006, for the remainder of the tenure of his contract as set out in the Explanatory Statement annexed to the Notice convening this meeting."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

Notes:

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item Nos. 5, 7 & 8 set out above are annexed hereto. The relevant details in respect of item Nos. 3 and 4 above, as required by Clause 49 of the Listing Agreement entered into with Stock Exchanges are also annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH 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 MEETING.

Tata Chemicals Limited

3. Members/Proxies should bring the enclosed attendance slip duly filled in, for attending the Meeting, along with the Annual Report.

Book Closure and Dividend

4. **The Register of Members and the Share Transfer Books of the Company would remain closed from July 1, 2006 to July 17, 2006, both days inclusive.**
5. The dividend, if declared at the Annual General Meeting, will be paid on or after July 18, 2006, to those persons or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on June 30, 2006, in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
 - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Registrar and Share Transfer Agent on or before June 30, 2006.

6. **Nomination Facility**

Members holding shares in physical form may obtain the Nomination forms from the Company's Registrar and Share Transfer Agent.

Members holding shares in electronic form may obtain the Nomination forms from their respective Depository Participants.

7. **Electronic Clearing Services (ECS) facility**

To avoid loss of dividend warrants in transit and undue delay in respect of receipt thereof, the Company provides ECS facility to the members. ECS facility is available at the locations identified by the Reserve Bank of India.

Members holding shares in physical form and who are desirous of availing this facility are requested to contact the Registrar & Share Transfer Agent of the Company.

Members holding shares in electronic form are requested to contact their respective Depository Participants.

8. **Unclaimed Dividends**

- **Transfer to General Revenue Account**

Pursuant to Section 205A(5) of the Companies Act, 1956, all unclaimed dividend upto the financial year ended March 31, 1995 have been transferred to the General Revenue Account of the Central Government. Members, who have not yet encashed their dividend warrant(s) for the said period, are requested to forward their claim in Form No. II prescribed under Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rule, 1978, to the Registrar of Companies, Mumbai, Maharashtra.

- **Transfer to the Investor Education and Protection Fund**

Consequent to the amendment of Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend commencing from the financial year ended March 31, 1996, onwards remaining unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company, is required to be transferred to the Investor Education and Protection Fund (the "Fund") set up by the Government of India.

Accordingly, the dividend which had remained unpaid/unclaimed for the financial years 1995-96 to 1997-98 in respect of the Company and that of erstwhile Hind Lever Chemicals Limited, till the financial year ended December 31, 1998 have been transferred to the "Fund."

It may be noted that the unpaid/unclaimed dividend for the financial year ended March 31, 1999 in respect of the Company is due for transfer to the Fund on, October 11, 2006 and that of the erstwhile Hind Lever Chemicals Limited, for the financial year ended December 31, 1999, is due for transfer to the Fund on May 17, 2007.

9. Members are requested to note that no claim shall lie against the Company or the aforesaid "Fund" in respect of any amount of dividend remaining unpaid/unclaimed for a period of seven years from the dates they became first due for payment. Any person/member who has not claimed dividend in respect of the financial year ended March 31, 1999 or any year thereafter, is requested to approach the Company / Registrar and Share Transfer Agent of the Company for claiming the same.

Bank Mandates

10. In order to provide protection against fraudulent encashment of the dividend warrants, members holding shares in physical form are requested to intimate the Registrar & Share Transfer Agent under the signature of the Sole/First holder, the following information to be incorporated on the Dividend Warrants:

- I. Name of the Sole/First joint holder and the folio Number
- II. Particulars of Bank Account viz.,
 - a) Name of the Bank
 - b) Name of the Branch
 - c) Complete address of the Bank with Pin code Number
 - d) Bank Account Number allotted by the Bank

In respect of the matters pertaining to Bank details, ECS mandates, nomination, power of attorney, change in name/address etc., the members are requested to approach :

- the Company's Registrar and Share Transfer Agent, in case of shares held in physical form and
- the respective Depository Participants, in case of shares held in electronic form.

In all correspondence with the Company/Registrar and Share Transfer Agent, members are requested to quote their account/folio numbers or DP ID and Client ID in respect of physical or electronic holdings respectively.

11. A member desirous of getting any information in respect of the contents of the Annual Report is required to forward the queries to the Company at least seven days prior to the meeting so that the required information can be made available at the Meeting.

On behalf of the Board of Directors

R. N. TATA
Chairman

Mumbai
May 30, 2006

Registered Office:
Bombay House
24, Homi Mody Street, Fort,
Mumbai 400 001.

Tata Chemicals Limited**EXPLANATORY STATEMENT**

The following Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 (the Act) sets out all material facts relating to the business mentioned under item Nos. 5, 7 and 8 of the accompanying Notice dated May 30, 2006.

Item No. 5:

In accordance with the provisions of Section 256 of the Act and the Articles of Association of the Company, Mr. D. M. Ghia retires by rotation. Mr. D. M. Ghia has not sought re-election. It has been decided by the Board that the vacancy so created on the Board of Directors of the Company should not be filled.

Mr. D. M. Ghia is a Director of the Company since January 22, 1975 and is also a member of the Audit Committee and Chairman of Shareholders'/Investors' Grievance Committee. The Board has placed on record its appreciation of the contribution made by him to the Company.

Item No. 7:

Mr. Prasad R. Menon was appointed as the Managing Director of the Company for a period of 5 years with effect from October 4, 2005, on the terms and conditions and remuneration as approved by the members at the Annual General Meeting of the Company held on July 21, 2005.

In order to give flexibility to the Board of Directors to decide upon the perquisites and allowances payable to the Managing Director from time to time, within the overall ceiling prescribed under the Act, it is proposed to revise the terms of remuneration relating to perquisites and allowances payable to Mr. Prasad R. Menon with effect from April 1, 2006. The Board of Directors at their meeting held on May 30, 2006, approved the aforesaid proposal, subject to the approval of the members. All the other terms and conditions of appointment and remuneration would remain unchanged. The revised terms of remuneration are as set out below:

Remuneration:

Salary upto a maximum of Rs. Rs. 4,50,000/- per month, with annual increment effective April 1st every year, as may be decided by the Board, based on merit and taking into account the Company's performance; benefits, perquisites and allowances as determined by the Board from time to time and commission based on certain performance criteria to be prescribed by the Board.

Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Prasad R. Menon, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances, as specified above.

The aggregate of the remuneration as aforesaid shall be within the maximum limit specified under Sections 198, 309 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as amended from time to time.

In compliance with the provisions of Sections 309 and 310 read with Schedule XIII of the Act, the revised terms of remuneration payable to Mr. Prasad R. Menon are now being placed before the Members in the general meeting for their approval. The Board commends the Resolution for acceptance by the Members.

Mr. Prasad R. Menon is concerned or interested in the resolution at Item No. 7 of the Notice.

This may be treated as an abstract under Section 302 of the Companies Act, 1956.

Item No. 8:

Mr. Homi R. Khusrokhhan was appointed as Executive Director of the Company for a period of 3 years with effect from April 1, 2004, on the terms and conditions and remuneration as approved by the members at the Annual General Meeting of the Company held on September 20, 2004.

In order to give flexibility to the Board of Directors to decide upon the perquisites and allowances payable to the Executive Director from time to time, within the overall ceiling prescribed under the Act, it is proposed to revise the

terms of remuneration relating to perquisites and allowance payable to Mr. Homi R. Khusrokhani with effect from April 1, 2006. The Board of Directors at their meeting held on May 30, 2006, approved the aforesaid proposal, subject to the approval of the members. All the other terms and conditions of appointment and remuneration would remain unchanged. The revised terms of remuneration are as set out below:

Remuneration:

Salary upto a maximum of Rs. Rs. 4,00,000/- per month, with annual increment effective April 1st every year, as may be decided by the Board, based on merit and taking into account the Company's performance; benefits, perquisites and allowances as determined by the Board from time to time and commission based on certain performance criteria to be prescribed by the Board.

Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Homi R. Khusrokhani, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances, as specified above.

The aggregate of the remuneration as aforesaid shall be within the maximum limit specified under Sections 198, 309 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as amended from time to time.

In compliance with the provisions of Sections 309 and 310 read with Schedule XIII of the Act, the revised terms of remuneration payable to Mr. Homi R. Khusrokhani are now being placed before the Members in general meeting for their approval. The Board commends the Resolution for acceptance by the Members.

Mr. Homi R. Khusrokhani is concerned or interested in the resolution at Item No. 8 of the Notice.

This may be treated as an abstract under Section 302 of the Companies Act, 1956.

On behalf of the Board of Directors

R. N. TATA
Chairman

Mumbai
May 30, 2006

Registered Office:
Bombay House
24, Homi Mody Street, Fort,
Mumbai 400 001.

Tata Chemicals Limited
Details of Directors seeking appointment/reappointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Mr. R. N. Tata	Mr. Nusli N. Wadia
Date of Birth	28.12.1937	15.02.1944
Date of Appointment	11.04.1983	26.06.1981
Expertise in specific functional area	Eminent industrialist with wide business experience across variety of industries	Industrialist with rich business experience
Qualification	B.Sc., Architecture with structure Engineering from Cornell University, Ithaca, New York. Completed the Advanced Management Program conducted by Harvard University	Educated in U.K.
Directorship in other Public Limited Companies	Tata Sons Ltd Tata Industries Ltd Tata Steel Limited The Bombay Dyeing and Mfg Co. Ltd. Tata Motors Limited. The Indian Hotels Company Ltd. The Tata Power Company Ltd. Tata Tea Ltd. Tata Information System Ltd. Hindustan Aeronautics Ltd. Tata Autocomp Systems Ltd. Tata Consultancy Services Ltd. Tata Teleservices Ltd. Tata Teleservices (Maharashtra) Ltd.	The Bombay Dyeing & Mfg. Co. Ltd Gherzi Eastern Limited The Bombay Burmah Trading Corp. Ltd. Britannia Industries Ltd. Nowrosjee Wadia & Sons Ltd. Tata Steel Ltd. Tata Motors Ltd. Atul Ltd. Wadia BSN India Ltd.
Membership of committees of other public limited companies (includes only Audit and Shareholders'/Investors' Grievance Committee)	NIL	NIL
No. of shares held in the Company	28,695	NIL

DIRECTORS' REPORT

TO THE MEMBERS OF TATA CHEMICALS LIMITED

The Directors hereby present their Sixty-seventh Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended March 31,2006:

	Rs. Crores	Previous Year Rs. Crores
FINANCIAL RESULTS		
Total Income	3599.23	3109.88
Profit before Depreciation and Exceptional items	654.49	592.70
Less : Depreciation	138.93	137.70
Profit before Tax and Exceptional items	515.56	455.00
Less : Exceptional items		
• Compensation paid under Employee Separation Scheme	4.69	2.06
Profit before tax	510.87	452.94
Tax	157.84	112.39
Profit after tax	353.03	340.55
Add :		
• Balance in Profit and Loss Account	623.85	478.03
Amount available for Appropriation	976.88	818.58
Appropriations -		
(a) Proposed Dividend	150.57	139.82
(b) Tax on Dividend	21.12	19.91
(c) General Reserve	36.00	35.00
(d) Balance Carried forward	769.19	623.85
	976.88	818.58

Dividend

For the year under review, the Directors have recommended a dividend of Rs. 7/- per share (Rs. 6.50 per share for the previous year), on the Ordinary (Equity) Shares of the Company, aggregating Rs. 150.57 crores.

PERFORMANCE REVIEW:

MITHAPUR OPERATIONS

Soda Ash

Soda Ash production at 8,10,684 tonnes and sales at 7,06,907 tonnes were higher by 3.7% & 3.4% respectively over the previous year. This production was the highest in the history of the Company. The market share of the Company increased to 32.8% as against 30.8% in the previous year, and thus maintained its leadership position.

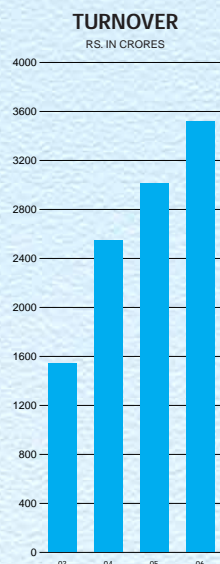
Cement

Production of cement at 4,90,643 tonnes increased by 5.3% and sales at 4,86,064 tonnes accounted for an increase of 3.5% as compared to the previous year. The sales recorded was the highest ever. Cement prices continued to remain firm during the year under review on account of consolidation in the industry.

Salt

Total production of all varieties of salt at 6,06,445 tonnes was 22% higher than the previous year and sales at 5,80,800 tonnes, were higher by 17.95%. Tata Salt recorded highest ever sales.

A number of initiatives on the trade front under project 'BANDHAN' were introduced to strengthen the customer relationship. Salt under the brand name "TOPP Salt" was introduced in the international market. Export continues to be encouraging. Your Company maintained its market leadership in the branded salt category with a market share of 40.1%. Tata Salt was nominated as the "Most Trusted Food Brand" in the country for the third consecutive year.

Tata Chemicals Limited

BABRALA OPERATIONS

Urea production (9,60,113 tonnes) and sales (9,53,518 tonnes) remained at the same level as last year. Energy consumption of urea at 5.058 G.Cal/MT was the lowest in the Fertiliser Industry in India. The new pricing policy on urea has not yet been finalised. Lower offtake of additional quantities by the Government had an impact on the volumes.

The network of Tata Kisan Sansar (TKS), has spread extensively in the eastern parts of the country. This network is supported by effective sourcing partners and efficient supply chain management. This had resulted in an increased trading volume of fertilizer products.

HALDIA OPERATIONS
Sodium Tripolyphosphate (STPP)

Production of STPP at 50,647 tonnes was lower by 8.1% over the previous year and sales was lower by 19.8% over the previous year. Pressure on margins continues, due to cheaper Chinese imports.

Diammonium Phosphate (DAP)/NPK

Production of DAP at 2,80,939 tonnes was higher by 10.1% and sales at 2,74,636 tonnes resulted in a decrease of 9.6%, as compared to the previous year.

Production of NPK at 4,05,704 tonnes was higher by 53% and sales at 3,87,098 tonnes grew by 39.8%.

STRATEGIC INITIATIVES

During the year under review, the following initiatives were undertaken:

- Preliminary steps for entering into new business fields such as Nano, Bio based products were undertaken.
- An Innovation Centre was set up during the year for the development of new technologies and business platforms.
- An initiative program titled 'UDAAN' was launched, essentially focusing on value and profit improvement, in addition to the cost reduction measures implemented through 'MANTHAN'.
- Acquisition of one-third stake in Indo Maroc Phosphore S.A., Morocco (IMACID).
- Acquisition of the entire share capital of a U.K. based Soda Ash Company, Brunner Mond Group Limited (BMGL). Thus BMGL is now a wholly owned subsidiary of the Company.

SUBSIDIARIES

During the year under review, the Company incorporated a Wholly Owned Subsidiary (WoS) in Mauritius in the name of Homefield International Pvt. Limited (HIPL) to make investments globally and acquire shares abroad as and when business opportunities arise. This WoS became a holding company of Homefield Pvt. UK Limited (Homefield - UK) by acquiring its entire share capital. Accordingly Homefield - UK became a WoS of the Company as well.

During the year under review, Homefield UK acquired 100% of the paid-up capital of Brunner Mond Group Limited (BMGL)UK, a company engaged in the manufacture of soda ash, for a total consideration of Rs. 798 crores. Accordingly BMGL is now a wholly owned subsidiary of the Company.

The Company has been granted exemption by the Ministry of Company Affairs, from attaching with its accounts, the individual accounts of subsidiary companies. However, the consolidated financial statements of the subsidiaries and the joint venture, in accordance with the Accounting Standards 21 & 27 issued by the Institute of Chartered Accountants of India, forms part of this Annual Report and are reflected in the consolidated accounts of the Company. Further as directed by the Ministry of Company Affairs, the financial data of the subsidiaries have been furnished under "Summary of Financial Information of Subsidiary Companies" and forms part of this Annual Report. The Annual Accounts of the subsidiaries would be made available for inspection by the members.

JOINT VENTURE

As mentioned in the last year's annual report, the Company acquired one-third stake in Indo Maroc Phosphore S.A, Morocco (IMACID) for a consideration of Rs. 166 crores. IMACID was a 50:50 Joint Venture company between Office Cherifien Des Phosphates (OCP) and Chambal Fertilisers & Chemicals

