



**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

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**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](http://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,

Corporate Communication & Secretary

New Delhi

July 19, 2011

### 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](http://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](mailto: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

	(Rs. in crore)	
Particulars	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<sub>2</sub>O<sub>5</sub>) during the year 2010 as against 359,656 MT of P<sub>2</sub>O<sub>5</sub> produced during the year 2009. IMACID achieved sale of 355,977 MT P<sub>2</sub>O<sub>5</sub> during the year 2010 as against sales of 369,996 MT P<sub>2</sub>O<sub>5</sub> 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:

- 11<sup>th</sup> Annual Greentech Environment Excellence Award 2010
- FAI Environmental Protection award 2010
- FAI award for 2<sup>nd</sup> 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 25<sup>th</sup> 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

## Annexure "A" to Directors' Report

### I. Disclosure of Particulars with respect to Conservation of Energy:

**a) Energy conservation measures taken**

**(i) Fertiliser Division**

- Up-gradation of Primary Reformer tubes (with better metallurgy) along with new catalyst in Ammonia-I plant.
- Installation of Load Manager for Gas Turbine in Steam & Power Generation Plant.

**(ii) Textile Division**

- New air compressor installed for power saving in place of three smaller size old compressors which were consuming more power.
- 28 power saving pumps installed in Humidification Plant of Unit -2 & 3 replacing 11 KW & 7.5 KW capacity pumps.

**b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy**

**(i) Fertiliser Division**

- No major energy saving scheme is under implementation.

**(ii) Textile Division**

Energy saving measures proposed to be implemented during the Financial Year 2011-12:

- Replacement of 29 existing pumps of various capacities with new power efficient pumps.
- Installation of Variable Frequency Drive (VFD) in main pump of 5 dyeing machines.
- Installation of VFD in 13 Supply Air Fans of Humidification Plant.
- Replacement of 3 smaller size compressors with a new air compressor in Synthetic Unit.

**c) Impact of the measures at (a) and (b) above for the reduction of energy consumption and consequent impact on the cost of production of goods**

During the Financial Year 2010-11, the fertilizer complex at Gadepan has achieved reduction of 0.8% energy consumption per MT of Urea in comparison to the Financial Year 2009-10.

The energy conservation measures in Textile Division mentioned at (a) and (b) above will result in saving of around 1.29 lac units of electricity per month (approximately Rs. 5.15 lac per month).

**d) Total energy consumption and energy consumption per unit of production**

As per Form 'A' given below:

### Form A

Particulars	Unit	2010-11	2009-10
		Current Year	Previous Year
<b>A POWER AND FUEL CONSUMPTION</b>			
<b>1 Electricity</b>			
<b>(a) Purchased</b>			
Unit	MWH	87,784.43	81,351.62
Total Amount	Rs. Lac	3434.67	2840.17
Rate/Unit	Rs./KWH	3.91	3.49
<b>(b) Own generation</b>			
<b>(i) Through diesel generator</b>			
Unit	MWH	3,304.30	13,763.30
Units per KL of furnace oil	KWH	4.04	3.81
Units per KL of HSD	KWH	3.72	3.68
Cost /Unit	Rs./KWH	8.18	7.39
<b>(ii) Through steam turbine/generator</b>			
Quantity	MWH	163,728.21	164,013.87
Unit per SM <sup>3</sup> of Gas	KWH/SM <sup>3</sup>	2.48	2.51
Cost/Unit	Rs./KWH	4.40	3.45

Particulars	Unit	2010-11	2009-10
		Current Year	Previous Year
<b>2 Coal</b>			
(a) Charcoal (for Steam Generation for Dye House)			
Quantity	KG	5,040.00	7,495.00
Total cost	Rs. Lac	0.83	1.12
Average rate/Unit	Rs./Kg	16.38	15.00
(b) Steamcoal (For Steam generation for Dye House)			
Quantity	KG	-	-
Total Cost	Rs. Lac	-	-
Average Rate/Unit	Rs./Kg	-	-
(c) Rice Husk (For Steam generation for Dye House)			
Quantity	MT	3,381.00	2,938.00
Total Cost	Rs. Lac	128.43	101.89
Average Rate/Unit	Rs./MT	3.80	3.47
(d) Petcoke (For Steam generation for Dye House)			
Quantity	KG	95,381.00	247,660.00
Total Cost	Rs. Lac	8.27	17.03
Average Rate/Unit	Rs./Kg	8.67	6.88
<b>3 Furnance oil</b>			
Quantity	KL	489.66	2895.88
Total amount	Rs. Lac	152.17	809.82
Average rate	Rs./KL	31,076.21	27,964.53
<b>4 Others/internal generation</b>			
a) Natural Gas (Ammonia-Fuel, Power & Steam)			
Quantity	1000SM <sup>3</sup>	531,967.94	506,310.72
Total Cost	Rs. Lac	61973.61	51997.69
Average rate/Unit	Rs./1000SM <sup>3</sup>	11,649.88	10,269.92
b) Naphtha (Ammonia-Fuel, Power & Steam)			
Quantity	MT	278.52	2,421.30
Total Cost	Rs. Lac	67.59	579.94
Average rate/Unit	Rs./MT	24,266.28	23,951.69
c) HSD			
Quantity	KL	383.86	728.33
Total Cost	Rs. Lac	128.42	213.56
Average Rate/Unit	Rs./KL	33,454.82	29,321.67
<b>B CONSUMPTION PER MT OF UREA PRODUCTION</b>			
Electricity (Incl. Internal Consumption )	KWH/MT	81.16	84.08
Natural Gas (Ammonia-Fuel, Power & Steam)	SM <sup>3</sup> /MT	253.30	249.32
Naphtha (Ammonia-Fuel, Power & Steam)	KG/MT	0.13	1.19
<b>C CONSUMPTION PER MT OF YARN PRODUCTION</b>			
Electricity (Incl. Internal Consumption )	KWH/MT	4,238.88	4,335.15
Furnance oil	KL/MT	0.02	0.14
HSD	KL/MT	0.02	0.04

## II. Technology Absorption

### Efforts made in technology absorption as per Form B.

#### FORM B

#### (Disclosure of particulars with respect to Technology Absorption)

##### Research and Development (R&D)

- i) The Company is a manufacturing organization and is not engaged in any major Research and Development activity. However, continuous efforts are made to improve the quality & efficiency and to develop new product/ product mix.
- ii) Expenditure on R&D (Textile Division)
  - a) Capital – Rs. 3.57 Lac
  - b) Recurring – Rs. 63.68 Lac
  - c) Total - Rs. 67.25 Lac
  - d) Total R&D Expenditure as a percentage of total turnover : 0.20%

##### Technology Absorption, Adaptation and Innovation

- i) Efforts in brief, made towards technology absorption, adaptation and innovation:
  - a) **Fertiliser Division**
    - Up-gradation of Primary Reformer tubes (with better metallurgy) along with new catalyst, in Ammonia-I plant
    - Up-gradation of High Pressure Regenerator tower packing in CO<sub>2</sub> removal section of Ammonia-I plant
    - Installation of new Hydrolyser Pre-heater in Urea-I plant
    - Up-gradation of trays in Distillation tower of Urea-I plant
    - Installation of Load Manager for Gas Turbine in Steam and Power Generation plant.
  - b) **Textile Division**
    - Installation of two new waste collection systems in Synthetic units.
- ii) Benefits derived as a result of the above efforts
  - a) **Fertiliser Division**
    - Energy Efficiency improvements
    - Improvement in the reliability
    - Operational flexibility
    - Reduction in greenhouse gas emissions i.e. Methane and Carbon dioxide.
  - b) **Textile Division**
    - Efficiency in operations and product quality improvement.
- iii) Information related to technology imported (imported during the last 5 years reckoned from the beginning of the financial year):
  - a) **Technology Imported** - Low energy process from M/s Kellogg Brown and Root of USA for Ammonia - I.
  - b) **Year of Import:** 2006-07
  - c) **Has technology been fully absorbed:** Yes

##### Foreign Exchange Earnings and Outgo

Foreign exchange earnings : Rs. 334.21 crore  
Foreign exchange used : Rs. 1450.82 crore

#### Annexure "B" to Directors' Report

Disclosure pursuant to Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, for the Financial Year ended March 31, 2011.

I)	Options Granted	Date of Grant	Options Granted
		16.09.2010	28,50,000
		22.01.2011	3,00,000
		<b>Total Options Granted</b>	<b>31,50,000</b>
II)	Pricing Formula	The latest available closing price on the stock exchange on which the Shares of the Company are listed, prior to the date of the meeting of the Board/ Committee in which Options are granted.	
III)	Options Vested	Nil	

IV)	Options Exercised	Nil																			
V)	Total no. of shares arising as a result of exercise of options	Nil																			
VI)	Options Lapsed	42,500																			
VII)	Variation of terms of options	None																			
VIII)	Money realised by exercise of options	Nil																			
IX)	Total no. of options in force	31,07,500																			
X)	Employee wise details of Options Granted to:																				
	a) Senior Managerial personnel	Name	No. of options																		
		Mr. Anil Kapoor	1,50,000																		
		Mr. Abhay Baijal	1,00,000																		
		Mr. A.K. Bhargava	1,00,000																		
		Mr. V.K. Gupta	1,00,000																		
		Mr. Vinod Mehra	1,00,000																		
		Mr. M.S. Rathore	1,00,000																		
	b) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year.	Nil																			
	c) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil																			
XI)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard 20 'Earning Per Share'.	Not applicable																			
XII)	a) Method of calculation of employee compensation cost	The Company has calculated the employee compensation cost using the intrinsic value of stock options.																			
	b) The difference between the employee compensation cost so computed at XII(a) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options.	If the employee compensation cost was calculated using fair value of options based on Black Scholes methodology, read with Guidance note on "Accounting for Employee Share based payment" issued by Institute of Chartered Accountants of India, total cost to be recognised in the financial statements for the year 2010-11 would be Rs.178.11 lac.																			
	c) The impact of this difference on profits and on Earning Per Share of the Company.	<p>The effect on the profits and earning per share, had the fair value method been adopted, is presented below:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">Rs. in Lac</td> </tr> <tr> <td><b>Profit after Tax</b></td> <td></td> </tr> <tr> <td>As reported</td> <td style="text-align: right;">32517.85</td> </tr> <tr> <td>Add: Intrinsic value compensation cost</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Less: Fair value compensation cost</td> <td style="text-align: right;">178.11</td> </tr> <tr> <td><b>Adjusted Profit</b></td> <td style="text-align: right;"><u>32339.74</u></td> </tr> <tr> <td><b>Earnings per share (Basic &amp; Diluted)</b></td> <td style="text-align: right;">(Rs.)</td> </tr> <tr> <td>As reported</td> <td style="text-align: right;">7.81</td> </tr> <tr> <td>As Adjusted</td> <td style="text-align: right;">7.77</td> </tr> </table>			Rs. in Lac	<b>Profit after Tax</b>		As reported	32517.85	Add: Intrinsic value compensation cost	0.00	Less: Fair value compensation cost	178.11	<b>Adjusted Profit</b>	<u>32339.74</u>	<b>Earnings per share (Basic &amp; Diluted)</b>	(Rs.)	As reported	7.81	As Adjusted	7.77
	Rs. in Lac																				
<b>Profit after Tax</b>																					
As reported	32517.85																				
Add: Intrinsic value compensation cost	0.00																				
Less: Fair value compensation cost	178.11																				
<b>Adjusted Profit</b>	<u>32339.74</u>																				
<b>Earnings per share (Basic &amp; Diluted)</b>	(Rs.)																				
As reported	7.81																				
As Adjusted	7.77																				
XIII)	Weighted-average Exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	<p>(i) Where exercise price equals the market price of the stock options:</p> <ul style="list-style-type: none"> <li>- Weighted average of exercise prices of options: Rs. 73.82</li> <li>- Weighted average of fair values of options: Rs. 27.29</li> </ul> <p>(ii) Where exercise price exceeds the market price of the stock options: Not applicable</p> <p>(iii) Where exercise price is less than the market price of the stock options: Not applicable</p>																			
XIV)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	The fair value has been calculated using the Black Scholes Option Pricing Model.																			
	a) Date of Grant	September 16, 2010	January 22, 2011																		
	b) Risk-free interest rate	7.79%	8.05%																		
	c) Expected life	5.80 years	5.80 years																		
	d) Expected volatility	63.06%	63.94%																		
	e) Expected dividend yield	7.02%	7.02%																		
	f) The price of the underlying share in market at the time of option grant	Rs. 73.50	Rs. 76.85																		

## Annexure "C" to Directors' Report

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

S. No.	Name	Designation/ Nature of Duties	Qualifications	Age (Years)	Experience (years)	Date of Commencement of Employment	Remuneration Received (Rs.)	Employer's Name	Last Employment	Post Held
A. Employees who were employed throughout the year and were in receipt of remuneration in aggregate of not less than Rs. 60,00,000 for 12 months:										
1	Kapoor, A.	Managing Director	B. Tech., M.S.	57	31	11.12.2000	11,950,079	Cabot India Ltd.		Vice President-Technical
2	Sharma, A.	Executive President - India Steamship	F.I. Mare	63	41	18.03.2006	9,003,762	The Great Eastern Shipping Co. Ltd.		President
B. Employees who were employed for a part of the year and were in receipt of remuneration in aggregate of not less than Rs. 5,00,000 per month:										
1	Ahuja, G. C.	General Manager- Strategic Planning	B. Sc. Engg. (Electronic)	60	38	01.06.1990	3,902,821	National Fertilisers Ltd.		Dy. Manager- Instruments
2	Bakshi, V.	Chief Engineer	MEO-CLASS-I(M)	46	7	29.12.2010	1,050,000	NOS		Chief Engineer
3	Bhatta, U. K.	Master	Master - F.G.	33	10	08.10.2010	1,354,153	Seaarland		Chief Officer
4	Bhattacharya, B. B.	Chief Engineer	MEO-CLASS-I(M)	63	36	10.04.2010	515,000	Shipping Corporation of India		Chief Engineer
5	Bhattacharjee, D.	Deputy General Manager-Technical	MEO-CLASS-I(M)	60	37	01.09.1988	1,486,902	1st Employment		Not Applicable
6	Chatterjee, K. R.	Purser	BA - Part-I	60	36	15.09.1974	697,840	1st Employment		Not Applicable
7	Choudhuri, S. S.	Chief Engineer	MEO-CLASS-I(M)	40	11	Note 1	2,139,435	Varun Shipping Co. Ltd.		Third Engineer
8	Gill, A.	Master	Master - F.G.	37	15	28.06.2010	1,101,089	Dymacom Tanker Management Ltd.		Master
9	Gupta, A. L.	Chief Engineer	MEO-CLASS-I(M)	52	27	08.04.2010	2,565,000	Shipping Corporation of India		Chief Engineer
10	Gupta, A. N.	Radio Officer	COP-C-III / GMDSS	61	36	19.10.1974	579,572	1st Employment		Not Applicable
11	Joshi, P. M.	Chief Engineer	MEO-CLASS-I(M)	45	17	08.04.2010	1,610,551	P B Maritime - Singapore		Chief Engineer
12	Kumar, P.	Chief Engineer	MEO-CLASS-I(M)	40	10	19.01.2011	676,953	Prativa Shipping Co. Ltd.		Chief Engineer
13	Lamba, S.	Chief Officer	First Mate - F.G.	25	3	25.11.2010	745,008	SVS Marine Service Pvt. Ltd.		Chief Officer
14	Mairi, P.	Chief Engineer	MEO-CLASS-I(M)	38	15	Note 1	1,605,000	American Eagle Tankers		Chief Engineer
15	Majumdar, P. K.	Master	Master - F.G.	49	24	Note 1	1,062,581	Tanker Pacific Ship Management Ltd.		Master
16	Malik, R. M.	Vice President	B.E.	67	44	14.11.1997	4,399,138	Duncan Industries Limited		Vice President-Projects
17	Malikar, S.	Master	Master - F.G.	35	9	13.06.2010	1,071,823	B5M India		Chief Officer
18	Mulla, M. H.	Superintendent - Technical	MEO-CLASS-I(M)	45	22	01.07.2008	587,549	The Great Eastern Shipping Co. Ltd.		Chief Engineer
19	Ogale, A.S.	Chief Engineer	MEO-CLASS-I(M)	34	8	Note 1	1,044,524	The Great Eastern Shipping Co. Ltd.		Chief Engineer
20	Paul, S. K.	Chief Engineer	MEO-CLASS-I(M)	35	9	Note 1	809,275	Prativa Shipping Co. Ltd.		Chief Engineer
21	Rao, M. V. J.	Chief Engineer	MEO-CLASS-I(M)	39	13	07.06.2010	2,689,462	Executive Ship Management		Second Engineer
22	Sandhu, A. S.	Master	Master - F.G.	38	10	Note 1	2,590,000	Dymacom Tanker Management Ltd.		Master
23	Sharma, S. C.	Master	Master - F.G.	49	24	14.01.2011	1,224,516	V. S. Ships Ltd.		Master
24	Singh, P. P.	Master	Master - F.G.	48	29	Note 1	3,244,667	1st Employment		Not Applicable
25	Singh, Y.	Master	Master - F.G.	36	12	Note 1	2,627,541	The Great Eastern Shipping Co. Ltd.		Chief Officer
26	Srivastava, R. P.	Chief Engineer	MEO-CLASS-I(M)	60	23	01.04.2010	500,000	Eurasia Maritime & Ship Management, Hong Kong		Chief Engineer
27	Sud, S.	Master	Master - F.G.	36	12	Note 1	2,709,638	Sovereign Ship Management		Master
28	Surendar, M. H.	Master	Master - F.G.	30	10	26.01.2011	510,000	Synergy Maritime		Master
29	Vikartan, V.	Master	Master - F.G.	50	27	24.12.2010	1,729,637	Bernhard Schulte Ship Management		Master

### NOTES:

- These persons were employed on contractual basis on various dates during the year.
- In accordance with the clarification given by Ministry of Corporate Affairs, the remuneration has been computed on the basis of actual expenditure incurred by the Company.
- None of the above employees is a relative of any Director of the Company.
- None of the above employees himself or alongwith his spouse and dependent children holds 2% or more equity shares of the Company.
- All the appointments are/were on contractual basis.

**Annexure "D" to Directors' Report**  
**AUDITORS' CERTIFICATE**

To  
The Members of Chambal Fertilisers and Chemicals Limited

We have examined the compliance of conditions of corporate governance by Chambal Fertilisers and Chemicals Limited, for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For S. R. BATLIBOI & CO.**  
Firm's registration number: 301003E  
Chartered Accountants

**per Manoj Gupta**  
**Partner**  
Membership No.: 83906

Place: Gurgaon  
Date: May 10, 2011

**Annexure "E" to Directors' Report**  
**REPORT ON CORPORATE GOVERNANCE**

**a) Company's Philosophy**

Your Company believes that for its sustained success, it must maintain global standards of corporate conduct towards its shareholders, customers, employees, all other stakeholders and society in general. The Company has always focused on good corporate governance, which is a key driver of sustainable corporate growth and long-term value creation for its shareholders.

The Company believes that corporate governance is not just limited to creating checks and balances. It is more about creating organization excellence leading to increasing employee and customer satisfaction and shareholders' value. The primary objective of corporate governance is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness, to develop capabilities and identify opportunities that best serve the goal of value creation. The Company believes, it must leverage its human and capital resources to translate opportunities into reality, create awareness of corporate vision and spark dynamism and entrepreneurship at all levels.

Above all, corporate governance must balance individual interest with corporate goals and operate within accepted norms of propriety, equity, fair play and a sense of justice. Accountability and transparency are key drivers to improve decision-making and the rationale behind such decisions, which in turn creates stakeholder confidence.

**b) Board of Directors**

The Board of Directors consists of ten directors including a Managing Director and nine Non-Executive Directors. M/s. H. S. Bawa, R. N. Bansal and Marco Wadia, Directors of the Company are retiring by rotation at the forthcoming Annual General Meeting. M/s. R. N. Bansal and Marco Wadia, are eligible for re-appointment. Mr. H.S. Bawa has expressed his unwillingness for re-appointment. The brief particulars of all the Directors are given below:

**(i) Mr. Saroj Kumar Poddar**

Mr. S. K. Poddar, Chairman, a gold medalist in B. Com (Hons) from Calcutta University, is the Chairman of Adventz group. Under Mr. Poddar, the group has promoted various projects including joint ventures with leading international corporations. The most notable of these ventures are Gillette India Ltd. ( joint venture with the Gillette Company of U.S.A.) and Hettich India Private Limited (a joint venture with the Hettich Group of Germany). Mr. Poddar is the Chairman of these Joint Ventures.

Besides above, Mr. Poddar is the Chairman of Zuari Industries Ltd., Chambal Infrastructure Ventures Ltd., Simon India Ltd., Texmaco Ltd., Texmaco Rail & Engineering Ltd., Zuari Cement Ltd. (a Unit of Ciments Francais), Adventz Investments and Holdings Ltd. and Lionel India Ltd. He is also on the Advisory Board of one of the most reputed investment brokers - M/s. N M Rothschild & Sons (India) Private Ltd.

A recipient of Rashtriya Samman from the Central Board of Direct Taxes, Mr. Poddar is involved with art, culture and sports. A keen collector of contemporary Indian Art, Mr. Poddar promotes young cricketers to go abroad for training and practice. He is currently involved in setting up of a museum in Delhi with the theme 'India through the ages.' The museum will be named as 'K.K. Birla Academy' after former Chairman of the Company - late Dr. K.K. Birla. The academy will be fully funded by the family and is to be commissioned in next three years.

Having served as President of Federation of Indian Chambers of Commerce and Industry (FICCI) and International Chamber of Commerce in India, the Government of India has appointed Mr. Poddar on Board of Trade – the highest body on trade and also

a member of the Court, on the Indian Institute of Science, Bangalore. He is the Chairman of India-Saudi Arabia Joint Business Council and a member of the Indo- French CEO Forum. Mr. Poddar has also served for a decade as a member of the Board of Governors of the Indian Institute of Technology, Kharagpur and local Board of the Reserve Bank of India.

Names of other Indian public limited companies in which Mr. S. K. Poddar is Director or the member of Committee(s):

S. No.	Name of the Company	S. No.	Name of the Company
1.	Adventz Investments and Holdings Limited	6.	Simon India Limited
2.	Chambal Infrastructure Ventures Limited	7.	Texmaco Limited <sup>§</sup>
3.	Gillette India Limited*	8.	Texmaco Rail & Engineering Limited
4.	Indian Furniture Products Limited	9.	Zuari Cement Limited*
5.	Lionel India Limited	10.	Zuari Industries Limited

\*Also Chairman/Member of Audit Committee

§Also Chairman of Investors/ Shareholders Grievance Committee

**(ii) Mr. Shyam Sunder Bhartia**

Mr. S. S. Bhartia is the Chairman and Managing Director of M/s. Jubilant Life Sciences Ltd. After graduating in Commerce, he did his ICWA from the Institute of Cost and Works Accountants of India (ICWAI) and is a fellow member of the ICWAI. A leading industrialist of India, he has rich industrial experience in the Pharmaceuticals, Speciality Chemicals, Food, Oil and Gas (Exploration & Production), Aerospace and Information Technology sectors. He is a director on the boards of numerous companies both in India and overseas.

He is a Member of the Executive Committee of Federation of Indian Chamber of Commerce and Industry (FICCI), Confederation of Indian Industry (CII) and Task Force on Chemicals appointed by the Government of India.

His past association to institutional segment included - Member of Board of Governors of Indian Institute of Technology (IIT), Mumbai and Indian Institute of Management (IIM), Ahmedabad and Director on the Board of Air India.

Names of other Indian public limited companies in which Mr. S. S. Bhartia is Director or the member of Committee(s):

S. No.	Name of the Company	S. No.	Name of the Company
1.	Geo-Enpro Petroleum Limited	7.	Jubilant Innovation (India) Limited
2.	Jubilant Chemsys Limited	8.	Jubilant Life Sciences Limited
3.	Jubilant Clinsys Limited*	9.	Lionel India Limited
4.	Jubilant First Trust Healthcare Limited	10.	VAM Holdings Limited
5.	Jubilant Foodworks Limited	11.	Zuari Industries Limited
6.	Jubilant Infrastructure Limited		

\*Also Chairman of Audit Committee

**(iii) Mr. Anil Kapoor**

Mr. Anil Kapoor is a B.Tech from Indian Institute of Technology, New Delhi, one of the world's premier technological institutes and holds M. S. in Chemical Engineering from State University of New York, USA. He has over 31 years of rich and varied experience in areas of production, logistics, purchase, administration, customer service and in general management with reputed Indian and Multinational groups.

Names of other Indian public limited companies in which Mr. Anil Kapoor is Director or the member of Committee(s):

S. No.	Name of the Company	S. No.	Name of the Company
1.	Chambal Energy (Chhattisgarh) Limited	4.	Indian Furniture Products Limited
2.	Chambal Energy (Orissa) Limited	5.	Zuari Seeds Limited
3.	Chambal Infrastructure Ventures Limited		

**(iv) Mr. Ram Nath Bansal**

Mr. R. N. Bansal is M. A. (Economics) and an eminent professional. He is Fellow member of the Institute of Chartered Accountants of India since 1954 and an Associate member of the Institute of Company Secretaries of India. Mr. Bansal is on the Boards of many renowned companies. He has also served the Department of Company Affairs in various capacities such as Registrar of Companies, Regional Director and retired as Member, Company Law Board. He was Director (Investment) and Additional Controller of Capital Issues in the Ministry of Finance. He was also a nominee of the Central Government on the Central Council of Institute of Chartered Accountants of India, Institute of Company Secretaries of India and the Governing Board of various Stock Exchanges.

Names of other Indian public limited companies in which Mr. R. N. Bansal is Director or the member of Committee(s):

S. No.	Name of the Company	S. No.	Name of the Company
1.	Bell Ceramics Limited*	6.	Orient Ceramics & Industries Limited*
2.	Essar Logistics Limited	7.	Pushpsons Industries Limited*
3.	Essar Oil Field Services India Limited	8.	The Hindoostan Spinning & Weaving Mills Limited *
4.	Essar Shipping Ports & Logistics Limited*	9.	Vadinar Oil Terminal Limited*
5.	Gobind Sugar Mills Limited*		

\*Also Chairman/Member of Audit Committee

**(v) Mr. Dipankar Basu**

Mr. Dipankar Basu is an M.A. (Economics). He is the Non-Executive Chairman of Securities Trading Corporation of India Ltd., STCI Primary Dealer Ltd., Peerless General Finance & Investment Co. Ltd. and Peerless Securities Ltd. He is currently a member

of the Investment Advisory Committee of the Army Group Insurance Fund and Empowered Committee of Reserve Bank of India for External Commercial Borrowings.

Mr. Basu is a former Chairman of State Bank of India. Between 1996 and 1999, he served as a member of the Disinvestment Commission set up by the Government of India. During 1997-98, Mr. Basu was also a member of the Narasimham Committee on Banking Sector Reforms.

Names of other Indian Public Ltd. Companies in which Mr. Dipankar Basu is Director or the member of Committee(s):

S. No.	Name of the Company	S. No.	Name of the Company
1.	Asian Paints Limited*	5.	Saregama (India) Limited
2.	Deepak Fertilisers & Petrochemicals Corp. Ltd <sup>5</sup>	6.	Securities Trading Corporation of India Limited*
3.	Peerless General Finance & Investment Co. Limited	7.	STCI Primary Dealer Limited
4.	Peerless Securities Limited		

\*Also Member/Chairman of Audit Committee

<sup>5</sup>Also Chairman of Shareholders Grievance Committee

**(vi) Mr. Kashi Nath Memani**

Mr. K. N. Memani is a Chartered Accountant. Mr. Memani specializes in Business and Corporate Advisory, Foreign Taxation, Financial Consultancy etc. and is consulted on the corporate matters by several domestic and foreign companies. He was Chairman and Country Managing Partner, Ernst & Young, India until 31st March 2004. Mr. Memani was also member of Ernst & Young Global Council for 10 years.

Post retirement, Mr. Memani has joined boards of various companies. He was also member of various Committees of the Institute of Chartered Accountants of India. For two consecutive years, Mr. Memani was on the External Audit Committee (EAC) of the International Monetary Fund and was appointed as the Chairman of EAC for the year 1999-2000. Mr. Memani is the past Chairman of American Chamber of Commerce in India, former President of Indo American Chamber of Commerce and PHD Chamber of Commerce. He is also member of managing committees of various Industry bodies. Mr. Memani is ex-chairman of New Company Law Drafting Committee and he was first Chairman of Quality Review Board, both set up by Government of India.

Names of other Indian Public Ltd. Companies in which Mr. K. N. Memani is Director or the member of Committee(s):

S. No.	Name of the Company	S. No.	Name of the Company
1.	Aegon Religare Life Insurance Company Limited*	7.	ICICI Venture Funds Management Co. Limited*
2.	DLF Limited*	8.	JK Lakshmi Cement Limited
3.	Emami Limited	9.	National Engineering Industries Limited*
4.	Great Eastern Energy Corporation Limited <sup>5</sup>	10.	Spice Digital Limited*
5.	HEG Limited	11.	Spice Mobility Limited*
6.	HT Media Limited*		

\*Also Chairman/Member of Audit Committee

<sup>5</sup>Also Member of Shareholders Grievance Committee

**(vii) Mr. Chandra Shekhar Nopany**

Mr. C. S. Nopany is an industrialist having vast industrial experience in diverse fields like sugar, shipping, textiles and fertilisers. He is a Chartered Accountant and Master of Science in Industrial Administration from Carnegie Mellon University, Pittsburgh, U.S.A. Mr. Nopany is the Chairman & Managing Director of The Oudh Sugar Mills Ltd. and the Chairman of Sutlej Textiles & Industries Ltd., New India Retailing & Investments Ltd. and SIL Investments Ltd. He is also on the Board of Directors of several other companies of the K. K. Birla group. Having contributed significantly to organic and inorganic growth of the Group, he continues to lead as a new generation entrepreneur with dedication and concerted focus on the target to be achieved.

Names of other Indian Public Ltd. Companies in which Mr. C. S. Nopany is Director or the member of Committee(s):

S. No.	Name of the Company	S. No.	Name of the Company
1.	Chambal Infrastructure Ventures Limited	7.	SIL Investments Limited*
2.	Gobind Sugar Mills Limited*	8.	The Oudh Sugar Mills Limited
3.	Hargaon Investment & Trading Co. Limited	9.	Upper Ganges Sugar & Industries Limited*
4.	Modern DiaGen Services Limited	10.	Uttar Pradesh Trading Co. Limited
5.	New India Retailing & Investment Limited	11.	Yashovardhan Investment & Trading Co. Limited
6.	Sutlej Textiles and Industries Limited*		

\*Also Chairman/ Member of Investors' Grievance Committee

**(viii) Ms. Radha Singh**

Ms. Radha Singh has retired from Indian Administrative Service. Prior to retirement, she was holding the position of the Agriculture and Cooperation Secretary, Government of India. She has a long experience of 40 years in public service in areas relating to rural and agricultural development, water resources, public finance and institution building. In her capacity as Agriculture and Cooperation Secretary, she also headed various national and international organizations as Board Member/ Chairperson.

In her long public career, she has held high level policy and managerial positions in the Government of India. These included Secretary, Department of Animal husbandry, Dairying and Fisheries; Additional Secretary in the Ministry of Water Resources and positions in the Economic Affairs Department. She was associated with the World Bank in Washington, U.S.A. as an Institutional Specialist and in other capacities for six years (1993-1998). Presently, Ms. Singh is Agriculture Advisor to FICCI, Chairperson of the Madhavpura Mercantile Co-operative Bank Limited, Ahmedabad and Trustee and Secretary of Rajendra Bhawan Trust, New Delhi, a charitable organization in memory the first President of the Country. She is Independent director on the Board of YES Bank Ltd. and L.T. Foods Ltd. She is also a member of Shareholders Grievance Committee of L.T. Foods Limited.

**(ix) Mr. Marco Philipus Ardeshir Wadia**

Mr. Marco Wadia is B. A. (Hons.), LL.B. and is a practicing Advocate since 1986, specializing in corporate matters. Mr. Wadia is a partner in the firm of Crawford Bayley & Co., Solicitors and Advocates, Mumbai since 2001. He is on the Boards of various Companies.

Names of other Indian Public Ltd. Companies in which Mr. Wadia is Director or the member of Committee(s):

S. No.	Name of the Company	S. No.	Name of the Company
1.	Adventz Infroworld India Limited	6.	Simon India Limited*
2.	GMAC Financial Services India Limited*	7.	Stovec Industries Limited*
3.	Johnson & Johnson Limited*	8.	Zuari Industries Limited * <sup>§</sup>
4.	Jost's Engineering Company Limited <sup>§</sup>	9.	Zuari Maroc Phosphates Limited
5.	Paradeep Phosphates Limited		

\*Also Chairman/Member of Audit Committee

<sup>§</sup>Also Member of Shareholders'/Investors Grievance Committee

**c) Meetings and Attendance**

During the year under review, six Board Meetings were held on May 8, 2010, July 16, 2010, October 30, 2010, December 8, 2010, January 22, 2011 and March 15, 2011.

The composition of the Board of Directors, their attendance at the Board Meetings and Annual General Meeting as also number of other directorships in Indian public limited companies and membership of the Committees of the Boards of such companies are as follows:

Name of Director	Whether Attended Last AGM	No. of Board Meetings attended	Category of Director	Other Directorships	Membership of Committee of other Boards	
					Chairman	Member
Mr. S. K. Poddar	No	5	NED/PG	10	2	1
Mr. S. S. Bhartia	No	5	NED/PG	11	1	NIL
Mr. H. S. Bawa	No	6	NED	12	NIL	2
Mr. Anil Kapoor	Yes	6	MD	5	NIL	NIL
Mr. R. N. Bansal	No	4	ID	9	4	3
Mr. D. Basu	No	3	ID	7	2	1
Mr. K.N. Memani	No	6	ID	11	5	4
Mr. C.S Nopany	No	5	NED/PG	11	2	2
Ms. Radha Singh	No	5	ID	3	NIL	1
Mr. Marco Ph. A. Wadia	Yes	6	ID	9	2	5

ID - Independent Director, MD - Managing Director, NED - Non Executive Director, PG - Promoter Group

**Notes:**

- Directorship excludes Indian Private Ltd. companies, Foreign Companies and companies registered under section 25 of the companies Act, 1956.
- Committees mean Audit Committee and Shareholders/ Investors Grievance Committee.

**d) Board Agenda**

The Board meetings are scheduled well in time and Board members are usually given a notice of more than a month before the meeting date. The Board members are provided with well structured and comprehensive agenda papers. All major agenda items are backed by in-depth background information and analysis, wherever possible, to enable the Board members to take informed decisions. Agenda papers are generally circulated a week prior to the meeting of the Board.

**e) Committees of the Board**

There are eight Committees of the Board of Directors, which have been delegated adequate powers to discharge urgent business of the Company. These Committees are - (i) Audit Committee; (ii) Investors Grievance Committee; (iii) Remuneration Committee; (iv) Banking and Finance Committee; (v) Compensation Committee; (vi) Quarterly Results Review Committee; (vii) Project Monitoring Committee; and (viii) Restructuring Committee. The Committees meet as often as required.

The details of these Committees are as follows:

(i) **Audit Committee**

• **Terms of reference:**

Apart from all the matters provided in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, the terms of reference of the Audit Committee include:

- approve internal audit programme,
- review with statutory auditors their findings, observations, suggestions, internal control systems, scope of audit, other related matters and major accounting policies followed by the Company,
- review the contracts entered into by the Company, valuing more than Rs. 75 million and the contracts entered into with the parties included in the register maintained under section 301 of the Companies Act, 1956, if any,
- review Internal Audit Reports related to internal control weaknesses.

The minutes of the Audit Committee meetings are circulated to the Board of Directors.

• **Composition:**

The Committee comprises of four Directors. The permanent invitees include Managing Director, Chief Financial Officer, statutory auditors and internal auditors. The Company Secretary is the Secretary of the Committee. The Committee met 7 times during the year and the attendance of members at the meetings was as follows:

Name of the Member	Status	Category	No. of Meetings attended
Mr. Marco Wadia	Chairman	Independent	7
Mr. R. N. Bansal	Member	Independent	5
Mr. H. S. Bawa	Member	Non-executive	6
Mr. K.N Memani	Member	Independent	6

(ii) **Investors Grievance Committee**

• **Terms of reference:**

The Committee was formed to approve the matters relating to allotment of securities, issue of duplicate certificates, review and redressal of investor grievances, decide the dates of book closure/ record dates in respect of the securities presently issued by the Company, etc. In order to provide quick service to investors, the Board has delegated enough powers to few executives to deal with various matters including transfer of shares across the counter, transmission of securities, etc.

• **Composition:**

The Committee comprises of three Directors. The Committee met 3 times during the year and the attendance of members at the meetings was as follows:

Name of the Member	Status	Category	No. of Meetings attended
Mr. R. N. Bansal	Chairman	Independent	2
Mr. H. S. Bawa	Member	Non-executive	3
Mr. Anil Kapoor	Member	Managing Director	3

Mr. M. S. Rathore, Vice President – Legal, Corporate Communication & Secretary is the Compliance Officer of the Company.

• **Investors' Grievances received and resolved during the year:**

The Company has 1,93,569 investors as on March 31, 2011. During the year under review, the status of requests and complaints was as follows:

Particulars	Opening Balance	Received	Total Resolved	Closing Balance
Requests	23	16,978	16,943	58*
Complaints	NIL	152	152	NIL

\*Since resolved

(iii) **Remuneration Committee**

• **Terms of reference:**

The Committee was formed to recommend appointment of Managing Director(s)/ Whole Time Director(s)/ Manager and to review and approve the remuneration including the compensation package, annual increments, incentives, additional perquisites, etc. of the Managing Director(s)/ Whole Time Director(s) and Senior Executives of the Company.

• **Composition:**

The Committee comprises of three Directors. The Committee met twice during the year and the attendance of members at the meetings was as follows:

Name of the Member	Status	Category	No. of Meetings attended
Mr. R. N. Bansal	Chairman	Independent	1
Mr. C. S. Nopany	Member	Non-executive	2
Mr. Marco Wadia	Member	Independent	2

(iv) **Banking and Finance Committee**

• **Terms of reference:**

The Committee was formed to approve availment of various types of finances including working capital facilities, loan facilities, etc. and any other specific matter delegated by the Board from time to time.

• **Composition:**

The Committee comprises of four Directors. No meeting of the committee was held during the Financial Year 2010-11. The composition of the Committee is as follows:

Name of the Member	Status	Category
Mr. S. S. Bhartia	Chairman	Non-executive
Mr. D. Basu	Member	Independent
Mr. C. S. Nopany	Member	Non-executive
Mr. Anil Kapoor	Member	Managing Director

(v) **Project Monitoring Committee**

• **Terms of reference:**

The Committee was formed to review progress of the Gadepan I & II Revamp projects and approve contracts of certain value.

• **Composition:**

The Committee comprises of four directors. No meeting of the committee was held during the Financial Year 2010-11. The composition of the Committee is as follows:

Name of the Member	Status	Category
Mr. C. S. Nopany	Chairman	Non-executive
Mr. H. S. Bawa	Member	Non-executive
Mr. R. N. Bansal	Member	Independent
Mr. Anil Kapoor	Member	Managing Director

(vi) **Quarterly Results Review Committee**

• **Terms of reference:**

The Committee was formed to deal with all the matters pertaining to approval of the unaudited quarterly results of the Company.

• **Composition:**

The Committee comprises of four Directors. No meeting of the Committee was held during the financial year 2010-11. The composition of the Committee is as follows:

Name of the Member	Status	Category
Mr. S. S. Bhartia	Chairman	Non-executive
Mr. H. S. Bawa	Member	Non-executive
Mr. R. N. Bansal	Member	Independent
Mr. Anil Kapoor	Member	Managing Director

(vii) **Compensation Committee**

• **Terms of reference:**

The Committee was formed to formulate Employee Stock Option Scheme and its administration.

• **Composition:**

The Committee comprises of five Directors. The Committee met thrice during the year and the attendance of members at the meeting was as follows:

Name of the Member	Status	Category	Number of Meetings Attended
Mr. C. S. Nopany	Chairman	Non-executive	3
Mr. H. S. Bawa	Member	Non-executive	3
Mr. R. N. Bansal	Member	Independent	2
Mr. Marco Wadia	Member	Independent	3
Mr. K. N. Memani*	Member	Independent	2

\*Appointed as member w.e.f. May 8, 2010

(viii) **Restructuring Committee**

• **Terms of reference:**

The Committee was formed to explore various options to restructure the shipping business of the Company, recommend to the Board suitable option(s) for restructuring of the shipping business and do all other acts, deeds and things as may be necessary in this regard.

• **Composition:**

The Committee comprises of four Directors. The Committee met once during the year and the attendance of members at the meeting was as follows:

Name of the Member	Status	Category	Number of Meetings Attended
Mr. C. S. Nopany	Chairman	Non-executive	1
Mr. D. Basu	Member	Independent	1
Mr. K. N. Memani	Member	Independent	1
Mr. Marco Wadia	Member	Independent	1

**f) Details of remuneration paid to directors for the year 2010-11**

(i) **Executive Director**

Amount (in Rs.)

Managing Director	Salary	Performance Bonus	Perquisites	Retirement Benefits
Mr. Anil Kapoor	84,49,833	16,00,000	7,50,046	11,50,200

- The term of appointment of Mr. Anil Kapoor is upto February 15, 2012, which can be terminated by either party by giving three months' written notice to other party.
- No sitting fee is payable to Managing Director.

The Company has issued 150,000 stock options to the Managing Director during the Financial year 2010-11. Each option is convertible into one equity share of Rs. 10 of the Company. The stock options were granted at the market price i.e. the latest available closing price on the stock exchanges where the shares of the Company are listed, prior to the date of the meeting of the Compensation Committee in which the options were granted. The stock options shall vest over a period of 5 years from the date of grant as per the details given below:

Date of Vesting	Eligibility	
	No. of Options	% of total options
16.09.2011	22,500	15
16.09.2012	22,500	15
16.09.2013	30,000	20
16.09.2014	37,500	25
16.09.2015	37,500	25

The stock options can be exercised within 5 years from the respective dates of vesting.

(ii) **Non - Executive Directors**

The Company pays sitting fee to its Non-Executive Directors @ Rs. 20,000 and Rs. 7,500 for attending each meeting of the Board of Directors and Committees of Directors, respectively. Apart from the sitting fee, the shareholders of the Company at its Annual General Meeting held on August 27, 2010 had approved payment of commission upto Rs. 4,00,000 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 details of sitting fee paid and the commission payable for the year 2010-11 are as follows:

S. No.	Name of the Director	Sitting Fee Paid (Rs.)	Commission to be Paid (Rs.)
1.	Mr. S. K. Poddar	1,00,000	NIL
2.	Mr. S. S. Bhartiya	1,00,000	NIL
3.	Mr. C. S. Nopany	1,45,000	NIL
4.	Mr. H. S. Bawa	2,10,000	NIL
5.	Mr. R. N. Bansal	1,55,000	4,00,000
6.	Mr. D. Basu	67,500	4,00,000
7.	Mr. K.N. Memani	1,87,500	4,00,000
8.	Ms. Radha Singh	1,00,000	4,00,000
9.	Mr. Marco Wadia	2,17,500	4,00,000

Further, the Board of Directors at its meeting held on May 10, 2011 has recommended payment of commission upto Rs. 4,00,000 per annum to each of the remaining non-executive directors of the Company for a period of 4 years with effect from the Financial Year 2011-12, subject to the approval of the shareholders of the Company at its ensuing Annual General Meeting.

#### g) Remuneration Policy

The Company's remuneration policy aims at attracting and retaining high talent by taking into account the talent market, national and international remuneration trends and the competitive requirements of each of its businesses.

Remuneration of employees largely consists of base remuneration, perquisites and performance incentives. The components of the total remuneration vary for different cadres and are governed by industry pattern, qualifications and experience of the employee, responsibilities handled by him, individual performance, etc.

#### h) Shareholding of Directors as on March 31, 2011

Name	No. of Shares held	Name	No. of Shares held
Mr. S. K. Poddar	1,55,352	Mr. R. N. Bansal	NIL
Mr. S. S. Bhartia	110	Mr. D. Basu	NIL
Mr. C. S. Nopany	3,25,775	Mr. K.N. Memani	NIL
Mr. H. S. Bawa	1,50,000	Ms. Radha Singh	NIL
Mr. Anil Kapoor	NIL	Mr. Marco Wadia	6,000

#### i) General Body Meetings

(i) The last three Annual General Meetings of the Company were held as under:

Financial year	Date	Time	Location
2009-2010	27.08.2010	1030 hours	Registered Office - Gadepan, Distt. Kota, Rajasthan
2008-2009	20.08.2009	1030 hours	Registered Office - Gadepan, Distt. Kota, Rajasthan
2007-2008	10.09.2008	1030 hours	Registered Office - Gadepan, Distt. Kota, Rajasthan

(ii) During the last three years, the Company had taken shareholders' approval by way of special resolutions as per the details given below:

Date of Annual General Meeting	Nature of Approval
September 10, 2008	Create, offer, issue and grant/allot stock options under Employees Stock Option Scheme(s)
August 27, 2010	i) Payment of commission to Independent Directors. ii) Create, offer, issue and grant/allot stock options under Employees Stock Option Scheme 2010

Shareholders' approval through postal ballot was not sought for any matter last year. No special resolution is proposed to be conducted through postal ballot in the forthcoming Annual General Meeting of the Company.

#### j) Disclosures

- i) There are no materially significant transactions with the related parties viz. promoters, directors, relatives, the management, subsidiaries, etc. that may have a potential conflict with the interest of the Company at large.
- ii) No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authority in any matter related to capital markets, for non-compliance by the Company.
- iii) Your Company is fully compliant with the mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchanges and quarterly compliance report in the requisite format signed by the Compliance Officer, has been submitted to the stock exchanges where the Company's equity shares are listed.
- iv) The Risk Management Policy framework is in place. The policy is reviewed on half yearly basis and the changes along with the revised policy are informed to the Board.
- v) The Company has adopted the following non-mandatory requirements relating to:
  - providing half-yearly un-audited financial results of the Company to each household of the shareholders;
  - Remuneration Committee; and
  - Maintenance of the office of Non-Executive Chairman at the Company's expense.

However, considering the availability of the half yearly results on the website of the Company and the stock exchanges and in the interest of environment protection, the Board of Directors have decided to discontinue providing half-yearly un-audited financial results of the Company to each household of the shareholders from the Financial Year 2011-12 onwards. The Company shall provide copy of the half yearly results to the shareholders on request.

The Ministry of Corporate Affairs had issued Corporate Governance Voluntary Guidelines in December 2009. The Company has adopted the guidelines relating to following matters:

- a) Certificate of Independence from Independent Directors;
- b) Remuneration Committee;
- c) Audit Committee;
- d) Risk Management Policy;

- e) Review of internal control system;
- f) Appointment of auditors and their certificate of independence

The Company is in the process of formulating appropriate methodology to adopt the remaining guidelines.

#### k) Means of Communication

- (i) The Company has been disclosing corporate financial performance on quarterly, half-yearly and annual basis well within the stipulated period to the Stock Exchanges and general public after being approved by the Board. The results are normally published in the main editions of two or more national and vernacular dailies such as Economic Times, Mint, Navbharat Times, Rajasthan Patrika and Dainik Bhaskar.
- (ii) Information relating to shareholding pattern, quarterly corporate governance report, financial results, etc. was also posted on Corporate Filing and Dissemination System (CFDS) website.
- (iii) The results are simultaneously posted on the website of the Company at [www.chambalfertilisers.in](http://www.chambalfertilisers.in). The investors can also find on this website the Annual Reports, details of various services being provided to investors, guidance and procedure to be followed by the investors for transfer, transmission and transposition of the securities, dematerialization, rematerialisation of shares, etc.
- (iv) The Company did not make any presentation to the institutional investors or the analysts.
- (v) Management Discussion and Analysis Report forms part of this Annual Report.

#### l) Code of Conduct & Ethics

The Company has adopted "Code of Conduct and Ethics" for the Directors and Senior Executives of the Company. The object of the Code is to conduct the Company's business ethically and with responsibility, integrity, fairness, transparency and honesty.

The Code of Conduct also serves as a tool in carrying out the Company's social responsibility in a more effective manner. This Code sets out a broad policy for one's conduct in dealing with the Company, fellow directors and employees and with the external environment in which the Company operates.

The Code is available on the Company's corporate website [www.chambalfertilisers.in](http://www.chambalfertilisers.in).

The declaration given by Managing Director of the Company with respect to affirmation of compliance of the Code by the Board Members and Senior Executives of the Company is enclosed as Annexure - "F".

#### m) Code of Internal Procedures and Conduct for Trading in Securities of the Company

The Company has a Code of Internal Procedures and Conduct for Trading in Securities of the Company. The Code, inter-alia, prohibits purchase/ sale of shares of the Company by Directors, Officers, designated employees and their dependents while in possession of unpublished price sensitive information in relation to the Company.

#### n) General Shareholders' Information

##### (i) 26<sup>th</sup> Annual General Meeting

Venue: Registered Office at Gadepan, Distt. Kota, Rajasthan - 325208

Time: 1000 hours

Day & Date: Friday, September 16, 2011

##### (ii) Financial Year : April to March

##### (iii) Tentative Financial Calendar

Event	Date
Audited Annual Results (2010-11)	May 10, 2011
Mailing of Annual Report	Mid August 2011
First Quarter Results	End July 2011
Half Yearly Results	End October 2011
Third Quarter Results	End January 2012
Audited Annual Results (2011-12)	May 2012

##### (iv) 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 (both days inclusive).

##### (v) Dividend Payment Date: September 21, 2011

##### (vi) Listing on Stock Exchanges and Stock codes

The names and addresses of the stock exchanges at which the equity shares of the Company are listed and the respective stock codes are as under:

S. No	Name of the Stock Exchange	Stock Code
1.	Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai - 400 001	500085
2.	The National Stock Exchange of India Limited (NSE) Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051	CHAMBLFERT

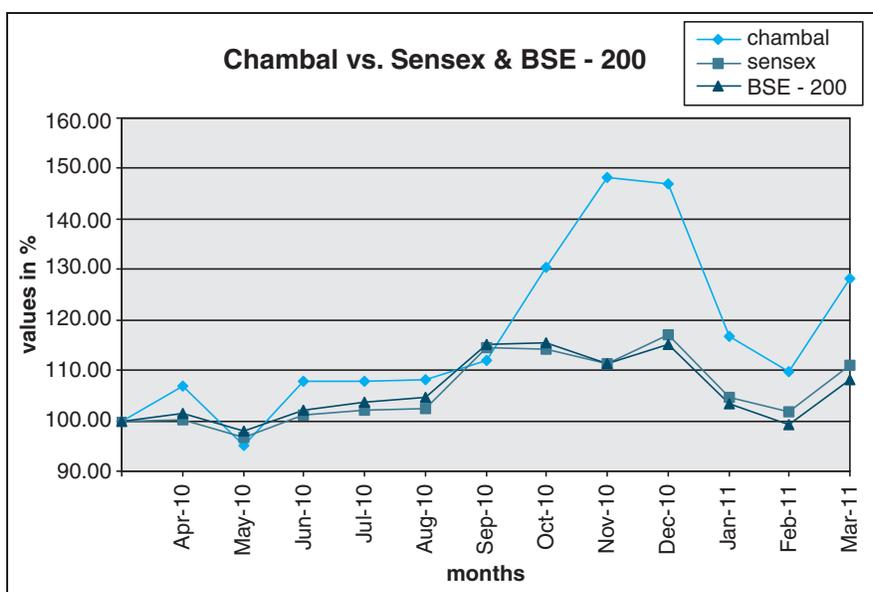
The Company has paid annual listing fees for the year 2011-12 to BSE and NSE.

(vii) Market price data

High and low of market prices of the Company's equity shares traded on BSE and NSE during the last financial year were as follows:  
(Amount in Rs.)

Month	BSE		NSE	
	High	Low	High	Low
April 2010	67.10	59.90	67.05	53.20
May 2010	65.95	52.95	65.85	52.70
June 2010	66.60	58.35	66.70	58.60
July 2010	69.50	64.50	70.00	64.80
August 2010	74.00	65.30	73.95	65.30
September 2010	77.00	66.80	77.00	66.70
October 2010	95.65	69.05	95.70	67.50
November 2010	104.80	81.50	104.80	81.65
December 2010	98.20	72.05	98.20	71.50
January 2011	92.95	69.25	92.80	69.00
February 2011	77.15	65.90	77.15	65.60
March 2011	79.20	66.15	80.10	66.15

(viii) Performance of Chambal's equity share in comparison to BSE Sensex and BSE 200 on the basis of closing values:



The base of 100 is taken to be the closing price of shares and values of indices as on March 31, 2010

(ix) Registrar and Transfer Agents & Share Transfer System

M/s. Zuari Investments Ltd. is your Company's Share Transfer Agent. Share transfers in physical form and other communications regarding shares, dividends, change of address, etc., may be addressed to:

M/s. Zuari Investments Ltd., Share Transfer Agents  
Corporate One, First Floor, 5, Commercial Centre, Jasola  
New Delhi – 110 025  
Tel: 011 - 41697900, 46581300  
Fax: 011 - 40638679  
E-mail: [isc@chambal.in](mailto:isc@chambal.in)

The dematerialized shares are directly transferred to the beneficiaries by the Depositories.

The Share Transfer Agents have an online computerised system for transfer of shares in physical form. The designated officials of the Company are authorised to approve transfer of shares after they are processed by the Share Transfer Agents including transfer of shares 'Over the Counter' upto 10,000 shares per request. Average time taken in transfer of shares is around 5 days from the date of receipt of the request. The transfer of shares across the counter takes only 5 minutes per transfer deed.

(x) **Address for Correspondence:**

The Investors can personally contact or send their correspondence either to Share Transfer Agents at the aforesaid address or at the Company's Investor Service Centre at the following address:

**Chambal Fertilisers and Chemicals Ltd.**

**Investor Service Centre**

"Corporate One", First Floor, 5, Commercial Centre, Jasola

New Delhi – 110 025

Telephone: 011 - 41697900, 46581300

Fax : 011 - 40638679

E-mail: [rajeshkumar.jain@chambal.in](mailto:rajeshkumar.jain@chambal.in) or [rajveer.singh@chambal.in](mailto:rajveer.singh@chambal.in)

Website: [www.chambalfertilisers.in](http://www.chambalfertilisers.in)

(xi) **Dematerialization of Shares and Liquidity**

The Equity Shares of the Company are compulsorily traded in dematerialised form and the Company has signed agreements with both the Depositories i.e. National Securities Depositories Limited and Central Depository Services (India) Limited. As on March 31, 2011, about 91.36% of the share capital of the Company was held in dematerialised form.

The equity shares of the Company are also being traded in the futures and options segment of the National Stock Exchange of India Limited. The shares of the Company are part of BSE-200 (Group A) and S&P CNX 500.

(xii) **Distribution of Shareholding**

The distribution of shareholding as on March 31, 2011 was as follows:

S. No	No. of Equity Shares held	No. of Shareholders	Percentage of total Shareholders	No. of Shares held	Percentage of total shares
1.	1 to 500	168319	86.96	29904476	7.18
2.	501 to 1000	15204	7.85	13339150	3.20
3.	1001 to 5000	8477	4.38	18557469	4.46
4.	5001 to 10000	800	0.41	6030014	1.45
5.	10001 to 100000	595	0.31	16276209	3.91
6.	100001 to 500000	97	0.05	23080982	5.55
7.	500001 & above	77	0.04	309019552	74.25
	<b>Total</b>	<b>193569</b>	<b>100.00</b>	<b>416207852</b>	<b>100.00</b>

Details of Shareholding as on March 31, 2011 was as under:

S. No	Category	No. of shares held	Shareholding (%)
1.	Promoters	229345514	55.10
2.	Financial Institutions, Banks & Mutual funds	50013804	12.02
3.	NRIs, Foreign Nationals, OCBs and FII	44715137	10.74
4.	Indian Public	92133397	22.14
	<b>Total</b>	<b>416207852</b>	<b>100.00</b>

(xiii) **Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity**  
NIL

(xiv) a) **Location of the Plants**

Fertiliser Plants : Gadepan, Distt. Kota, Rajasthan, India, PIN - 325 208.

Birla Textile Mills : Baddi, Distt. Solan, Himachal Pradesh, India, PIN -173 205.

b) **India Steamship - Shipping Division**

: 44, Park Street, Kolkata, West Bengal, India, PIN - 700 017

**Annexure "F" to Directors' Report**  
**DECLARATION OF MANAGING DIRECTOR**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, I, Anil Kapoor, Managing Director of Chambal Fertilisers and Chemicals Limited, declare that all Board Members and Senior Executives of the Company have affirmed their compliance with the Code of Conduct and Ethics during the year 2010-11.

Place: New Delhi  
Date: May 10, 2011

**Anil Kapoor**  
Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Chambal Fertilisers and Chemicals Limited is pleased to present its analysis report covering segment-wise performance and outlook.

The Company has three business segments viz. Fertilizer, Textile and Shipping of which the Fertilizer Division is the largest.

### FERTILISER DIVISION

#### I. Industry Structure and Developments

##### (a) Raw Material

Urea - a major plant nutrient, plays a vital role in the food security of the country and Natural Gas is the major input in its production. Over the last years, Natural Gas availability and Gas pipeline connectivity have been constrained and posed challenges to the Industry.

Gas prices ruled high during the year and spurted further towards the later part of the year on account of political upheavals in some countries and natural calamities in Japan. The international oil prices have a direct bearing on the Gas prices due to a close correlation between the products.

Both the fertiliser plants of your Company are operating with Natural Gas. Although your Company has long term Gas Supply Agreements for its requirement but gas supply from KG D-6 gas fields has witnessed marked decline in output. As a result, the Company has to resort to spot buying of Liquefied Natural Gas at high prices.

##### (b) Demand-Supply Scenario

Your Company's Gadepan - II plant commissioned in 1999 was the last major capacity addition in production of Urea. Urea production in the country has remained stagnant whereas demand of Urea has been increasing over the years, resulting into significant gap between domestic demand and supply. The De-bottlenecking exercise was carried out in some of the plants in the country including that of your Company during last few years but it had marginal effect on supply. The main reasons for new capacities not coming up are non-conducive policy environment and absence of assured supply of Natural Gas on long term basis at affordable prices.

India has imported over 6.6 million MT of Urea during the financial year 2010-11 which was about 23% of the total urea consumption in the country. India being a major agrarian economy can ill afford the ever increasing dependence on imports of Urea. The Government of India should address these concerns urgently.

##### (c) Urea Pricing Policy

New Pricing Scheme (NPS) -Stage III for Urea which was valid upto March 31, 2010, has been further extended provisionally. There are expectations that urea will also be covered under Nutrient Based Subsidy Scheme (NBS) during the Year 2011-12. Under NBS, the Government fixes subsidies on the basis of nutrient content in a product rather than a formula based subsidy linked to a product. NBS seeks to emphasize the balanced nutrition of the soil consistent with rational economic principles. This move of the Government is a step in the right direction and will drive producers as well as importers to improve production, procurement and distribution efficiencies.

This move is also consistent with focus on marketing and customer service through competition.

The Government of India proposes to give fertilizer subsidy directly to the farmers as against routing it through fertilizer producers. The Government has constituted a task force under the chairmanship of Mr. Nandan Nilekani to suggest a road map for this purpose.

##### (d) New Investment

The Fertilizer Investment Policy for Urea of 2008 shifted from 'cost plus' approach to 'Import Parity Price' basis for the new investments. However, the Policy could not attract new investments. The Government is currently working on a suitable amendment to this policy to take care of the concerns expressed by the industry.

#### II. Opportunities & Threats

Subject to outcome of the Government Policy on new investment, your Company is gearing up to expand further in fertilizer business and has commenced several preparatory activities.

After introduction of NBS, the Company is actively expanding its product range in Potassic, Phosphatic and Complex fertilizers under its flagship brand 'Uttam'. The Company is increasing the volume of traded products through its well established marketing network.

However, shortage and increasing prices of Natural Gas is the major challenge to expansion plans of the Fertiliser companies. The future growth of Urea industry largely depends upon availability and pricing of Natural Gas.

The Company is also planning to set up a Single Super Phosphate (SSP) production facility at Gadepan with a capacity of 500 MT per day. SSP is a good plant nutrient. There is a good potential for SSP business as there are not many big players in production of SSP. Your Company will be able to leverage its brand image by entering into production of SSP.

#### III. Risks and Concerns

The Urea segment of Fertiliser Industry is highly dependent upon Urea pricing policy of the Government of India. Delay in formulation of new pricing policy could push further the international prices. Further, in a rising interest rate environment, delay in payment of subsidy may cause serious financial burden on the industry.

#### IV. Outlook

Considering the huge gap between demand and supply of urea, no pressure is expected on the sales of Urea in near future. The positive monsoon prediction augurs well for the fertilizer industry and your Company in the current year. The increasing focus of the Government of India on food production also gives a lot of confidence to the fertilizer Industry. In view of the importance of fertilizers in the food security of the country, the Government of India and the Industry are working to find a solution to support and develop the fertilizer Industry.

#### V. Operational and Financial Performance

The performance of Fertiliser Division is summarized below:

	2010-11	2009-10
Urea Production (MT in lac)	21.00	20.31
Sales including Agri inputs (Rs. in crore)	4021.08	3001.87
EBIDTA (Rs. in crore)	614.07	545.17

Your Company sold 20.41 lac MT of urea during the year 2010-11 which was marginally higher than the last year's sale of 20.14 lac MT. The production and sales of Urea were higher due to achievement of higher stream days and higher plant throughputs after implementation of energy saving cum de-bottlenecking revamp projects for Gadepan- I and II plants.

The Company is continuously expanding its basket of products and marketing reach. Your Company has started its full fledged marketing network in Bihar and planning to further expand its marketing reach to Maharashtra. The turnover of traded products went up from Rs. 761.09 crore to Rs. 1606.87 crore in the Financial Year 2010-11. The sales of DAP also more than doubled from 1.42 lac MT in 2009-10 to 4.01 lac MT achieved in the Financial Year 2010-11. The sale of Pesticides went up to Rs. 212 crore, an increase of 18% over 2009-10.

#### VI. Material Development in Human Resources/Industrial Relations

Your Company is a merit-driven organization and this is reflected in the policies concerning recruitment, training, and promotion. People and Talent Management continue to be one of the key focus areas of the Company. The availability of qualified and trained manpower is critical for sustainable success. Experienced manpower, especially from your Company, is in high demand in the domestic as well as overseas markets.

Your Company's Human Resource Strategy is aligned to business needs and seeks to ensure that appropriate talent hire and retention plans are in place and reviewed periodically. Your Company believes in creating sense of belongingness among the employees.

Your Company continuously reviews the retention strategy and has come out with suitable interventions, including stock options for key personnel. As a result, manpower attrition has decreased as compared to the last two years. Emphasis is on to promote talent from within the organization and supplement it through recruitment of fresh engineers and professionals on a continual basis. Wherever necessary, experienced manpower is recruited to bridge the talent gap.

Training and development of its human capital for their growth aligned with the growth of the Company is on-going process. Apart from in-house training programmes, the employees were nominated for Management Development Programs of premier Management Institutes. Your Company has achieved a total of 3168 man days of training during the year.

As on March 31, 2011, total employee strength of fertilizer division was 878. The fertiliser division continues to maintain open and cordial employee relations.

#### BIRLA TEXTILE MILLS - SPINNING DIVISION

##### I. Industry Structure and Developments

The Indian Textile Industry, with the size of US\$ 70 billion, has three tiered structure - sophisticated modern mill segment on one end of the spectrum and a widely dispersed hand-loom and power-loom segments on the other. Mid segment is legions of small scale unorganized players. India accounts for 22% of the world's installed capacity of spindles, second largest spindlage after China. India is also the second largest producer of cotton and Cellulosic fibres and fourth largest producer of Synthetic Fibres & Yarns. This sector is the second largest job provider (direct employment to over 35 Million people) after agriculture. It also contributes about 14% to India's industrial production, 4% to the GDP and 10% to the export earnings.

##### II. Opportunities & Threats

With the removal of quotas and similar trade barriers, new opportunities are unfolding. The Indian Textile & Clothing Industry has tremendous potential to scale new heights in the international market and to increase its export share in world trade from the current 4.5% to 8% to reach US\$ 80 Billion by 2020. The increase in per capita and disposable income coupled with favourable demographics of India provide huge opportunities to the Indian Textile sector. The domestic market size is expected to grow at a compound annual growth rate of 11%, from US\$ 46 Billion to US\$ 140 Billion by 2020. The abundant availability of all types of raw-materials like Cotton, Viscose, Polyester, Acrylic, etc in the country at prices lower than international rates is the strong competitive factor in favour of India. Competition from low cost countries like Bangladesh, Pakistan, Sri Lanka, Vietnam, etc is potential threat.

##### III. Risk & Concerns

Indian Textile Industry is highly fragmented. Lack of economies of scale and technological development adversely affect the productivity and other activities in the value chain. Continuous quality improvement and development of new varieties is the need of hour as the demand patterns keep changing swiftly along with the fashion cycle getting short. Rising cost of inputs is a cause of concern and affects margins. Cotton, one of the major raw-materials, suffers from climatic volatility in the major cotton producing countries. Continuous appreciation of Indian Rupee against US Dollar has adverse implications on textile exports. The Government policy of different treatment for different sectors of textile industry, like withdrawal of export incentive on cotton yarn exports, is a serious development. Out-dated and inflexible labour regulations in India are another major concern for the industry.

##### IV. Outlook

Indian Textile Industry which showed signs of recovery in 2010, exhibited strength in 2011. Going forward, the industry is concerned about shortage of labour, volatile input prices, fluctuating Rupee, uncertainty of yarn prices and competition restraining pricing power. However, future of the Indian Textile Industry seems bright on the back of robust domestic demand and steadily growing exports.

##### V. Operational and Financial Performances

The summarized performance of Birla Textile Mills was as under:

	2010-11	2009-10
Yarn Production (MT)	19901	20423
Sales * (Rs. in crore)	340.75	296.03
EBIDTA (Rs. in crore)	56.83	32.95

\*excluding excise duty

The average spindle utilization for the year 2010-11 was 94.94% against 95.77% in the year 2009-10. The sales of yarn during the year were 19052 MT against 21324 MT during the previous year.

##### VI. Material Development in Human Resources/Industrial Relations

Being a labour intensive industry, training and development of human resources is of paramount importance. Well structured in-house training programmes conducted by experienced and competent faculty have improved the employee skill levels and their commitment. Presently, the manpower deployments in the Textile Division comprises of 1443 workers, 260 staff members (including subordinate staff) and 294 trainees. The industrial relations remained cordial during the year.

## INDIA STEAMSHIP-SHIPPING DIVISION

### I. Industry Structure & Developments

The dry bulk, containers and tankers are major segments of the Shipping Industry. Shipping, being an international business, gets affected by the international business environment. The time charter rates and re-sale values of vessels were on declining path during the year 2010-11.

The ongoing instability in some countries and natural disasters in Japan has further impacted the downturn in the Industry. We expect the demand to pick up in the reconstruction phase of natural calamity hit region of Japan.

The dramatic rise in bunker costs has further worsened the situation for the tanker segment. The price spike in bunkers has drastically eroded the slim profitability that ship owners were experiencing for the better part of the last 6 months.

The overall economic outlook seems to be stabilizing. America has come out with better job numbers and seems to be more optimistic about the economic recovery which is still termed as fragile. European Union is still a concern.

### II. Opportunities and threats

The world has already witnessed a longer than 2 years of downturn and the consequent poor shipping market. The demand side has started picking up which augurs well for the Industry. However, any improvement in freight rates is unlikely because of huge supplies both in dry-bulk and tanker segments in 2010 and supply pressure will continue in 2011 and 2012. If the scrapping is accelerated and ordering of new-buildings restricted, one can expect up-trend 2013 onwards. It is believed that freight rates have already bottomed out. Asset acquisition looks attractive with the softening of prices.

### III. Risk and Concerns

The fragile recovery in the US and European Union is definitely a concern. Geopolitical situation in the Middle East and the consequent rise in oil prices will further impact shipping margins. The Company's shipping revenues are from world class clients. Shipping Division, as a policy, continues to engage in-charters with strong counter parties. This has enabled the Company to mitigate the counter party risk in the volatile markets in last few years. Shipping business has sound environment policy in place and is certified by Det Noeske Veritas. All ships are manned by able and competent officers. The ships are fully insured with Hull Underwriters and P&I Clubs against spillage and environmental risks.

Shipping Division's expenditure, including capital expenditure, debts and operational costs are mainly in US Dollars. Thus, the foreign currency risk is naturally hedged to a very large extent. Further, interest on foreign currency loans has been hedged to the extent of 50% of loan amount.

Shipping Division's long term charters are coming to an end by middle of 2011 and efforts are on to lock best period charter contracts with reputed parties.

### IV. Outlook

Time-charter rates are at a historical low considering time span of the last 5 years. Outlook till end 2012 does not look very promising. Moreover, there have been massive differentials between spot market returns and time-charter levels which make it hard to support a time-charter commitment. Current market scenario presents a perfect opportunity for charterers to take some period cover at the prevailing rates.

### V. Financial and operational performance

The summarized performance of Shipping Division during the year was as under:

	2010-11	2009-10
Sales (Rs. in crore)	284.57	276.60
EBIDTA (Rs. in crore)	135.43	119.10

### VI. Material Developments in Human Resources/ Industrial Relations

The relationship between the management and the employees including the employees union is very cordial and there are no outstanding industrial disputes. The management also has well laid down HR Policies for its employees. The management has embarked on several HR initiatives in the form of training, seminars and psychological testing to enhance the effectiveness of its employees. Moreover, management also addresses welfare, health & safety issues of employees. As on March 31, 2011, the Shipping Division has 59 employees in its shore office and 156 floating staff.

### INTERNAL CONTROL SYSTEM

The Company has an adequate system of internal controls comprising authorization levels, supervision, checks and balances and procedures through documented policy guidelines and manuals, which provide that all transactions are authorized, recorded and reported correctly and compliance with policies and statutes are ensured.

The operational managers exercise their control over business processes through operational systems, procedure manuals and financial limits of authority manual, which are reviewed and updated on an on going basis to improve the systems and efficiency of operations.

The Company places prime importance on an effective internal audit system. During the year, the internal audit was carried out jointly by the internal audit team of the Company and M/s. Deloitte Touche Tohmatsu India Private Limited based on the internal audit programme duly approved by the Audit Committee of the Board of Directors. The internal audit programme is aligned to the previous years' observations, suggestions from the operating managers and statutory auditors, existing systems and procedures, financial limits of authority and also the risk areas, which are identified and reviewed.

The internal audit carries out audit effectively throughout the year covering all areas of operations including the follow up action. The audit approach is based on random sample selection and takes into consideration the generally accepted business practices. The internal audit reports are first discussed by the Management Committee and subsequently placed before the Audit Committee of the Board of Directors along with the direction/ action plan recommended by the Management Committee. The directions are implemented by the respective divisions and wherever required Action Taken Report is placed before the Audit Committee.

### CAUTIONARY STATEMENT

The report may contain certain statements that the Company believes are, or may be considered to be "forward looking statements" that describe our objectives, plans or goals. All these forward looking statements are subject to certain risks and uncertainties, including but not limited to, Government action, economic development, risks inherent in the Company's growth strategy and other factors that could cause the actual results to differ materially from those contemplated by the relevant forward looking statements.

## Auditor's Report

To

The Members of

Chambal Fertilisers and Chemicals Limited

1. We have audited the attached Balance Sheet of Chambal Fertilisers and Chemicals Limited (the Company) as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, in which are incorporated financial statements of Shipping Division of the Company audited by other auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of shipping division of the Company whose financial statements reflect the Company's share of total assets of Rs. 140391.83 lacs (previous year Rs. 150757.45 lacs) as at March 31, 2011, total revenue of Rs. 28521.80 lacs (previous year Rs. 27846.30 lacs) and cash outflows amounting to Rs. 154.45 lacs (cash inflows in previous year Rs. 132.97 lacs) for the year then ended. These financial statements and other information have been audited by branch auditors whose reports have been furnished to us and our opinion is based solely on the report of branch auditors.
4. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit has been received from Shipping Division not visited by us. The Branch Auditors' Report of the Shipping Division have been forwarded to us and have been appropriately dealt with;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account and audited returns from the Shipping Division;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For S.R. BATLIBOI & Co.  
Firm's Registration No. 301003E  
Chartered Accountants

per Manoj Gupta  
Partner  
Membership No.: 83906

Place: Gurgaon

Date: May 10, 2011

### ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE CHAMBAL FERTILISERS AND CHEMICALS LIMITED (THE COMPANY)

- (i)
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over a period of two years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on physical verification.
  - (c) There was no substantial disposal of fixed assets during the year.
- (ii)
  - (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
  - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii)
  - (a) The Company has granted loans to three companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.3000 Lacs and the year end balance of loans granted to such parties is Rs.3000 Lacs.
  - (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
  - (c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest is also regular.
  - (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
  - (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, provisions of clauses 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.  
 (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees Five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it, have been regularly deposited with the appropriate authorities.  
 Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.  
 (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material undisputed statutory dues were outstanding at the year end for a period of more than six months from the date they became payable.  
 (c) According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, other than the following:

Name of the Statute	Nature of the Dues	Amount (Rs. in Lacs)	Period to which the amount relates	Forum where dispute is pending
Rajasthan Sales-Tax Act, 1994	Sales tax demand on usage of natural gas other than Urea manufacture.	352.34	1996 to 2001	Rajasthan High Court, Jodhpur
The Income Tax Act, 1961	Demand raised on short deduction of TDS.	540.67	2007-08 to 2008-09	Commissioner of Income Tax (Appeals), Kota
Service Tax Law, Finance Act, 1994	Demand raised from foreign parties in respect of service tax paid on tax deducted at source (TDS) portion.	2.45	2008-09	Assistant Commissioner, Central Excise, Kota

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditors Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company does not have any outstanding debentures at the year end.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & Co.  
 Firm's Registration No. 301003E  
 Chartered Accountants

per Manoj Gupta  
 Partner  
 Membership No.: 83906

Place: Gurgaon  
 Date: May 10, 2011

**BALANCE SHEET AS AT MARCH 31, 2011**

(Rs. in Lacs)

Particulars	Schedule	As at March 31, 2011	As at March 31, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	41620.79	41620.79
Reserves and surplus	2	<u>120711.98</u>	<u>97384.95</u>
		<u>162332.77</u>	<u>139005.74</u>
<b>Loan Funds</b>			
Secured loans	3	144534.20	199607.50
Unsecured loans	4	<u>103835.42</u>	<u>61989.14</u>
		<u>248369.62</u>	<u>261596.64</u>
<b>Deferred Tax Liabilities (Net)</b>	5	<u>20119.15</u>	<u>24550.02</u>
<b>Total</b>		<u><u>430821.54</u></u>	<u><u>425152.40</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	6	495763.46	497337.10
Less: Accumulated depreciation		<u>228183.40</u>	<u>204553.68</u>
Net block		<u>267580.06</u>	<u>292783.42</u>
Capital work in progress including capital advances		<u>6575.51</u>	<u>4367.57</u>
		<u>274155.57</u>	<u>297150.99</u>
<b>Intangible Assets</b>	7	251.55	417.46
<b>Investments</b>	8	40056.01	41720.96
<b>Current Assets, Loans and Advances</b>			
Inventories	9	40243.84	24331.16
Sundry debtors	10	58969.12	55992.04
Cash and bank balances	11	26181.75	2999.90
Other current assets	12	19103.65	34251.12
Loans and advances	13	<u>15891.65</u>	<u>8401.24</u>
		<u>160390.01</u>	<u>125975.46</u>
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	14	26364.40	22768.61
Provisions	15	<u>17667.20</u>	<u>17343.86</u>
		<u>44031.60</u>	<u>40112.47</u>
<b>Net Current Assets</b>		116358.41	85862.99
<b>Total</b>		<u><u>430821.54</u></u>	<u><u>425152.40</u></u>
<b>Notes to Accounts</b>	26		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

 For and on behalf of the Board of Directors of  
Chambal Fertilisers and Chemicals Limited

 For S.R. BATLIBOI & Co.  
Firm's Registration No. 301003E  
Chartered Accountants

 Anil Kapoor  
Managing Director

 H.S. Bawa  
Vice Chairman

 S.K. Poddar  
Chairman

 per Manoj Gupta  
Partner  
Membership No - 83906

 Abhay Baijal  
Vice President - Finance

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

 Place: Gurgaon  
Date: May 10, 2011

 Place: New Delhi  
Date: May 10, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

(Rs. in Lacs)

Particulars	Schedule	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>INCOME</b>			
Turnover (Gross)	17	464981.88	357639.96
Less: Excise duty		341.67	189.77
Turnover (Net)		464640.21	357450.19
Other income	18	10180.68	6661.10
<b>Total</b>		<b>474820.89</b>	<b>364111.29</b>
<b>EXPENDITURE</b>			
Purchase of trading goods		143397.97	59987.27
Raw material consumed	19	118210.68	103567.91
Personnel expenses	20	11454.06	9860.71
Decrease/(increase) in inventories	21	(11362.54)	7605.33
Operating and other expenses	22	127743.61	109236.95
Freight to charter-in ship		3961.00	3483.61
Depreciation/Amortization	6 & 7	26794.82	25761.77
Financial expenses	23	10978.40	9104.14
Deferred revenue expenditure written off	16	-	59.29
<b>Total</b>		<b>431178.00</b>	<b>328666.98</b>
<b>Profit Before Exceptional Items and Tax</b>		<b>43642.89</b>	<b>35444.31</b>
Exceptional items	24	436.87	436.87
<b>Profit After Exceptional Items and Before Tax</b>		<b>44079.76</b>	<b>35881.18</b>
<b>Provision for Tax</b>			
Current tax		15920.80	12962.20
Deferred tax credit		(4430.87)	(2049.42)
Tonnage tax in shipping business		71.98	63.28
Total tax expense		11561.91	10976.06
<b>Net profit after tax for the year</b>		<b>32517.85</b>	<b>24905.12</b>
Transferred from Debenture Redemption Reserve		312.50	312.50
Balance brought forward from previous year		75964.55	62843.32
<b>Profit available for appropriation</b>		<b>108794.90</b>	<b>88060.94</b>
<b>Appropriations:</b>			
Transfer to General Reserve		3500.00	2500.00
Transfer to Tonnage Tax Reserve		50.00	375.00
Proposed Dividend on Equity Shares		7907.95	7907.95
Tax on Dividend		1282.87	1313.44
<b>Surplus carried to Balance Sheet</b>		<b>96054.08</b>	<b>75964.55</b>
Basic and Diluted Earning Per Share (In Rs.)	25	7.81	5.98
Nominal Value of Equity Shares (In Rs.)		10.00	10.00
<b>Notes to Accounts</b>			
	26		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For and on behalf of the Board of Directors of  
Chambal Fertilisers and Chemicals Limited

For S.R. BATLIBOI & Co.  
Firm's Registration No. 301003E  
Chartered Accountants

Anil Kapoor  
Managing Director

H.S. Bawa  
Vice Chairman

S.K. Poddar  
Chairman

per Manoj Gupta  
Partner  
Membership No - 83906

Abhay Baijal  
Vice President - Finance

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

Place: Gurgaon  
Date: May 10, 2011

Place: New Delhi  
Date: May 10, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

(Rs. in Lacs)

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>A. Cash flow from operating activities:</b>		
Profit after exceptional items and before tax.	44079.76	35881.18
Adjustments for:		
Depreciation/ Amortisation	26794.82	25761.77
Profit on disposal of non trade long term investments	(436.87)	(436.87)
Assets written off	664.67	119.15
Diminution in the value of fertiliser bonds	100.00	1400.00
Unrealised foreign exchange fluctuation	(37.88)	(662.11)
Premium on forward contracts amortised	3747.65	1081.03
Provision for loss on derivative transaction	824.70	1405.07
Miscellaneous expenditure written off	-	59.29
(Profit)/Loss on sale of fixed assets	(382.20)	(117.04)
Provision for doubtful advances and debts	137.25	119.79
Liabilities no longer required written back	(593.32)	(534.71)
Catalyst charges written off	272.33	182.96
Doubtful debts/ advances written off	79.44	4.83
Inventory written off	344.29	47.46
Interest expense	10195.76	8515.21
Interest income	(3975.35)	(3360.75)
Dividend income on non trade current investments	(79.39)	(439.37)
Dividend income on trade long term investments	(1094.21)	-
<b>Operating profit before working capital changes</b>	<b>80641.45</b>	<b>69026.89</b>
Movement in working capital:		
Decrease / (Increase) in sundry debtors	(2977.09)	10072.82
Decrease / (Increase) in inventories	(16529.30)	7120.83
Decrease / (Increase) in other current assets	14871.32	149.11
Decrease / (Increase) in loans and advances	(956.98)	2353.49
Increase / (Decrease) in current liabilities and provisions	981.81	(92707.37)
<b>Cash generated from operations</b>	<b>76031.21</b>	<b>(3984.23)</b>
Direct taxes paid (net of refunds)	(16014.07)	(10841.97)
<b>Net cash flows from / (used in) operating activities</b>	<b>60017.14</b>	<b>(14826.20)</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(7202.46)	(31136.61)
Proceeds from sale of fixed assets	615.46	290.88
Purchase of investments	(122362.72)	(102541.26)
Proceeds from sale of non trade long term investments	124464.53	122346.51
Inter Corporate deposits given- repaid	1650.00	-
Inter Corporate deposits given	(2650.00)	(840.00)
Deposits (with maturity more than three months)	(3032.00)	(525.00)
Advance given against purchase of shares of subsidiary company	(350.00)	-
Loan to subsidiaries	(5275.26)	-
Proceeds of deposits matured (with maturity more than three months)	525.00	10500.00
Interest received	4014.24	3563.24
Dividend received	1173.60	439.37
<b>Net cash flow from / (used in) investing activities</b>	<b>(8429.61)</b>	<b>2097.13</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from long term borrowings	-	27768.58
Repayment of long term borrowings	(25301.70)	(25827.55)
Net Proceeds from short term borrowings	12911.54	28512.86
Interest paid	(9366.76)	(8789.38)
Dividend paid	(7842.24)	(7438.57)
Tax on dividend paid	(1313.44)	(1273.22)
<b>Net cash flow from / (used in) financing activities</b>	<b>(30912.60)</b>	<b>12952.72</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>20674.93</b>	<b>223.65</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2476.74</b>	<b>2253.09</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>23151.67</b>	<b>2476.74</b>
<b>Components of cash and cash equivalents as at</b>		
Cash and cheques on hand	8.47	73.37
Balances with banks:		
- on unpaid dividend account	841.61	778.10
- on current account	5886.22	1457.59
- on cash credit account	16386.82	5.53
- on saving account	0.43	0.39
- on deposits account	3046.19	645.70
- on overseas account	12.01	39.22
Cash and bank balances as per Schedule no.11	26181.75	2999.90
Less: Fixed deposits not considered as cash equivalents	3032.00	525.00
Add: Foreign Exchange fluctuation on overseas account	1.92	1.84
<b>Net cash and cash equivalents</b>	<b>23151.67</b>	<b>2476.74</b>

Note: Bank balances of Rs. 841.61 lacs (Previous Year Rs.778.10 lacs) is earmarked for payment of unpaid dividend and will not be available for use for any other purposes.

As per our report of even date

For S.R. BATLIBOI & Co.  
Firm's Registration No. 301003E  
Chartered Accountants

per Manoj Gupta  
Partner  
Membership No - 83906

Place: Gurgaon  
Date: May 10, 2011

For and on behalf of the Board of Directors of  
Chambal Fertilisers and Chemicals Limited

Anil Kapoor  
Managing Director

Abhay Bajjal  
Vice President - Finance

Place: New Delhi  
Date: May 10, 2011

H.S. Bawa  
Vice Chairman

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

S.K. Poddar  
Chairman

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011**

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised:</b>		
440,000,000 (Previous Year 440,000,000) Equity Shares of Rs.10/- each	44000.00	44000.00
210,000,000 (Previous Year 210,000,000) Redeemable Preference Shares of Rs.10/- each	<u>21000.00</u>	<u>21000.00</u>
	<u>65000.00</u>	<u>65000.00</u>
<b>Issued, Subscribed and Paid Up :</b>		
416,207,852 (Previous Year 416,207,852) Equity Shares of Rs.10/- each, fully paid up.	<u>41620.79</u>	<u>41620.79</u>
	<u>41620.79</u>	<u>41620.79</u>
Of the above,		
10,207,852 (Previous Year 10,207,852) equity shares of Rs.10/- each have been allotted for consideration other than cash, pursuant to the scheme of amalgamation of erstwhile India Steamship Company Limited.		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
Capital Reserve (arising on forfeiture of shares)	20.95	20.95
Securities Premium Account	641.59	641.59
Capital Redemption Reserve	25.00	25.00
Debenture Redemption Reserve		
Balance as per last account	312.50	625.00
Less: Transferred to Profit and Loss Account	<u>312.50</u>	<u>312.50</u>
	-	312.50
General Reserve		
Balance as per last account	16195.36	13695.36
Add: Transferred from Profit and Loss Account	<u>3500.00</u>	<u>2500.00</u>
	<u>19695.36</u>	<u>16195.36</u>
Tonnage Tax Reserve under Section 115 VT of Income Tax Act, 1961		
Balance as per last account	375.00	3963.29
Less: Amalgamation Adjustment Account	-	113.29
Add: Transferred from Profit and Loss Account	50.00	375.00
Less: Transferred to Tonnage Tax Reserve (utilised) account	<u>-</u>	<u>3850.00</u>
	<u>425.00</u>	<u>375.00</u>
Tonnage Tax Reserve (utilised) account under Section 115 VT of Income Tax Act, 1961		
Balance as per last account	3850.00	-
Add: Transfer from Tonnage Tax Reserve under Section 115 VT of Income Tax Act, 1961	<u>-</u>	<u>3850.00</u>
	<u>3850.00</u>	<u>3850.00</u>
Profit and Loss Account	<u>96054.08</u>	<u>75964.55</u>
	<u>120711.98</u>	<u>97384.95</u>

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 3 : SECURED LOANS</b>		
Debentures		
Nil (Previous Year 500) 7.90% Secured Redeemable Non-convertible Debentures of Rs.1,000,000 each.	-	1250.00
Term loans from banks		
- Rupee term loans	16956.00	28046.00
- Foreign currency term loans	126754.93	140257.14
- Short term loan from banks	-	28000.00
Loans and advances from banks		
- Cash credit facilities	525.28	1510.10
Finance lease obligation	297.99	544.26
	<u>144534.20</u>	<u>199607.50</u>

**Notes:**

- 7.90% Secured redeemable non-convertible debentures were fully redeemed during the year. These debentures were secured by first pari passu charge by way of mortgage by deposit of title deeds in respect of immovable properties and hypothecation of the movable fixed assets of the Company, both present and future (save and except assets of Shipping Division) subject to prior charges created/ to be created in favour of banks on current assets and other movables for securing working capital borrowings.
- Rupee term loans of Rs.16956.00 lacs (Previous Year Rs.28046.00 lacs) and foreign currency term loans of Rs.32668.90 lacs (Previous Year Rs.36276.77 lacs) from banks are secured by first pari-passu charge by way of mortgage, by deposit of title deeds in respect of immovable properties and hypothecation of the movable fixed assets of the Company, both present and future (save and except assets of Shipping Division), subject to prior charges created/ to be created in favour of banks on current assets and other movables for securing working capital borrowings.
- Foreign currency term loan of Rs.17840.00 lacs (Previous Year Rs.19756.00 lacs) from a bank is secured by first priority mortgage on the Company's vessel-Ratna Puja and assignment of earnings, insurance and requisition compensation in respect of such vessel.
- Foreign currency term loan of Rs.23638.00 lacs (Previous Year Rs.25593.00 lacs) from a bank is secured by first priority mortgage on the Company's vessel-Ratna Shalini and assignment of earnings, insurance and requisition compensation in respect of such vessel and second priority mortgage on the Company's vessel-Ratna Puja and assignment of earnings, insurance and requisition compensation in respect of such vessel.
- Foreign currency term loan of Rs.52608.03 lacs (Previous Year Rs.58631.37 lacs) from banks is secured by first priority mortgage on the Company's three vessels i.e. Ratna Shruti, Ratna Shradha and Ratna Namrata and assignment of earnings, insurance and requisition compensation in respect of such vessels.
- Short Term Loan of Rs.Nil (Previous Year Rs.28000.00 lacs) from a bank was to be secured by pledge of Government of India Fertiliser Bonds issued to the Company.
- Cash credit facilities from banks are secured by hypothecation of all the Company's current assets including all stocks and book debts and other movables, both present & future (except assets of shipping division). These loans are further secured/ to be secured by second charge on all the immovable properties (except assets of shipping division) of the Company.
- Finance lease obligation of Rs.297.99 lacs (Previous Year Rs.544.26 lacs) is secured by assets acquired under the facility.
- Secured loans (other than cash credit facilities and short term loan from banks) include Rs.14092.14 lacs (Previous Year Rs.25068.60 lacs) repayable within one year.

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
Fixed deposits	5.72	38.67
{Due within one year Rs.5.72 lacs (Previous year Rs.32.65 lacs)}		
Commercial Papers (Short term)	-	10000.00
{Maximum amount raised at any time during the year Rs.20000 lacs (Previous year Rs.10,000)}		
Short term loans from banks		
- Short term rupee loans	20000.00	23000.00
- Short term foreign currency loans	79785.23	26408.50
- Short term packing credit foreign currency loan	4044.47	2541.97
	<u>103835.42</u>	<u>61989.14</u>

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 5 : DEFERRED TAX LIABILITY (NET)</b>		
<b>Deferred Tax Liabilities</b>		
Differences in depreciation and other differences in block of fixed assets as per tax and financial books	<u>21663.82</u>	<u>26684.60</u>
<b>Gross Deferred Tax Liabilities</b>	<u>21663.82</u>	<u>26684.60</u>
<b>Deferred Tax Assets</b>		
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	308.77	64.52
Provision for gratuity	48.46	245.91
Provision for leave encashment	304.46	282.34
Provision for diminution in the value of fertiliser bonds	699.19	1430.98
Others	183.79	110.83
<b>Gross Deferred Tax Assets</b>	<u>1544.67</u>	<u>2134.58</u>
<b>Net Deferred Tax Liability</b>	<u>20119.15</u>	<u>24550.02</u>

**SCHEDULE 6 : FIXED ASSETS**

S.No	Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK	
		As at April 1, 2010	Additions during the year	Adjustments March 31, 2011	As at April 1, 2010	For the Year	Adjustments	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
1.	Land - Freehold	325.59	-	-	325.59	-	-	-	325.59	325.59
2.	Land - Leasehold	587.28	-	-	587.28	120.37	5.94	-	126.31	460.97
3.	Buildings	17572.07	22.49	(4.60)	17589.96	5013.23	368.63	(1.06)	5380.80	12209.16
4.	Leasehold Improvements	236.61	12.05	-	248.66	138.83	1.87	-	140.70	107.96
5.	Leasehold Improvements (on finance lease)	487.63	-	(185.37)	302.26	17.56	45.42	(6.67)	56.31	245.95
6.	Railway Siding	2205.11	-	-	2205.11	1387.46	104.74	-	1492.20	712.91
7.	Plant & Machinery	300519.63	3075.19	(4009.51)	299585.31	175814.25	16836.63	(2679.85)	189971.03	109614.28
8.	Equipment & Appliances	3440.36	373.04	(151.00)	3662.40	1901.02	233.83	(114.95)	2019.90	1642.50
9.	Furniture & Fittings	682.36	28.75	(8.94)	702.17	502.80	44.31	(4.64)	542.47	159.70
10.	Vehicles	430.17	287.26	(63.80)	653.63	150.32	52.54	(35.09)	167.77	485.86
11.	Vehicles (on Finance Lease)	323.81	-	(152.15)	171.66	236.41	50.75	(131.28)	155.88	15.78
12.	Ships	170526.48	137.60	(934.65)	169729.43	19271.43	8858.60	-	28130.03	141599.40
	<b>Grand Total</b>	<b>497337.10</b>	<b>3936.38</b>	<b>(5510.02)</b>	<b>495763.46</b>	<b>204553.68</b>	<b>26603.26</b>	<b>(2973.54)</b>	<b>228183.40</b>	<b>267580.06</b>
	Previous Year	466306.48	48621.36	(17590.74)	497337.10	179830.03	25581.96	(858.31)	204553.68	292783.42
	Capital Work In Progress									6575.51
										4367.57

**Notes:**

- Freehold Land includes Rs 0.81 lacs (Previous Year Rs.0.81 lacs) ,which is yet to be transferred in the Company's name.
- Gross Block and Accumulated Depreciation of Buildings includes Rs.0.71 lacs (Previous Year Rs.0.71 lacs) and Rs.0.56 lacs (Previous Year Rs.0.56 lacs) respectively represent undivided share in assets jointly owned with others.
- Adjustment to Plant & Machinery include Rs.168.07 lacs (Previous Year Rs.1583.91 lacs) and adjustment to ships include Rs.934.65 lacs (Previous year Rs.14846.11 lacs) being variations in rupee liability in respect of foreign currency.
- Capital Work in Progress includes Capital Advances of Rs.628.87 lacs (Previous Year Rs.1721.77 Lacs).
- Additions include preoperative expenses amounting Rs.Nil (Previous Year Rs.2462.79 lacs) . (Refer Note No.4 of Schedule 26C).

**SCHEDULE 7 : INTANGIBLE ASSETS**

(Rs. in Lacs)

S.No	Particulars	GROSS BLOCK			AMORTISATION				NET BLOCK	
		As at April 1, 2010	Additions during the year	Adjustments March 31, 2011	As at April 1, 2010	For the Year	Adjustments	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
1.	Software	915.24	25.65	-	940.89	497.78	191.56	-	689.34	251.55
	<b>Total</b>	<b>915.24</b>	<b>25.65</b>	<b>-</b>	<b>940.89</b>	<b>497.78</b>	<b>191.56</b>	<b>-</b>	<b>689.34</b>	<b>251.55</b>
	Previous Year	901.54	-	13.70	915.24	313.69	179.81	4.28	497.78	417.46

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 8 : INVESTMENTS</b>		
<b>Long Term Investments (At Cost) :</b>		
<b>A. Trade (Unquoted)</b>		
– 206,667(Previous Year 206,667) shares of Moroccan Dirham 1000/- each fully paid up in Indo Maroc Phosphore S.A.	8513.32	8513.32
– Nil (Previous Year 6,240,962) equity shares of Rs.10 each fully paid up in Zuari Investments Limited.* (6,240,962 equity shares of Rs.624.10 lacs sold during the year.)	-	624.10
<b>B. Other than trade</b>		
<b>Unquoted</b>		
– 20,000 (Previous Year 20,000) equity shares of Rs.10 each fully paid up in Shivalik Solid Waste Management Limited.	2.00	2.00
<b>Government Securities</b>		
– 6 Year National Savings Certificates VIII Issue (lodged with Govt. Authorities.)	0.09	0.09
– Indira Vikas Patra	0.20	0.20
<b>Bonds</b>		
– Nil (Previous Year 2), 7.60% Konkan Railway Corporation Bonds of Rs.1,000,000 each fully paid up (2, 7.60% Konkan Railway Corporation Bonds amounting to Rs.20.32 lacs sold during the year.)	-	20.32
<b>Debentures</b>		
– 5% Non Convertible Debenture Stock of Woodlands Hospital and Medical Research Centre Ltd.	0.22	0.22
– 14 (Previous year 14) 8% Non Convertible Debentures of Indian Chamber of Commerce of Rs.12.50 each fully paid up	0.01	0.01
<b>C. In Subsidiaries Companies</b>		
<b>Trade (Unquoted), fully paid up</b>		
– 50,000,000 (Previous Year 50,000,000) ordinary shares of US\$ 0.001 each fully paid up in CFCL Overseas Limited*	21.78	21.78
– 70,441,174 (Previous Year 60,691,174) Non-Cumulative Redeemable Preference Shares of US\$ 1.00 each fully paid up in CFCL Overseas Limited* (9,750,000 Non-Cumulative Redeemable Preference Shares of Rs.4480.14 lacs purchased during the year.)	31092.35	26612.21
– 1,400,000 (Previous Year 1,400,000) equity shares of Rs.10/- each fully paid up in Chambal Infrastructure Ventures Limited	140.00	140.00
– 1,079,962 (Previous Year 1,079,962) equity shares of Singapore \$ 1 each fully paid up in India Steamship Pte. Limited Singapore	286.04	286.04
<b>Current Investment (At lower of cost and market value)</b>		
<b>Unquoted</b>		
– Nil (Previous year 16,357,452) Units in Kotak Liquid (Institutional Premium) - Daily Dividend Plan of Rs. 12.23 each fully paid (16,357,452 units of Rs.2000.20 lacs sold during the year.)	-	2000.20
– Nil (Previous year 19,963,809) Units in Birla Sun Life Cash Plus - Instl. Prem. - Daily Dividend Reinvestment plan of Rs. 10.02 each fully paid (19,963,809 units of Rs.2000.27 lacs sold during the year.)	-	2000.27
– Nil (Previous year 12,236,707) Units in HDFC Liquid Fund Premium Plan - Dividend -Daily Reinvest Plan of Rs. 12.26 each fully paid (12,236,707 units of Rs.1500.20 lacs sold during the year.)	-	1500.20
<b>Total</b>	<b>40056.01</b>	<b>41720.96</b>
Aggregate amount of unquoted investments	<b>40056.01</b>	<b>41720.96</b>

\*(Also refer Note No.10 of Schedule 26C)

(For investments purchased and squared off during the year refer Note No.5 of Schedule 26C)

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 9 : INVENTORIES (AT LOWER OF COST AND NET REALISABLE VALUE)</b>		
Stores and spares	8017.51	5106.26
Catalysts in use	1369.89	1323.49
Naphtha	937.49	1005.07
Raw materials {Including in transit Rs.810.23 lacs (Previous Year Rs. 404.22 lacs)}	6046.03	4418.86
Loose tools	9.02	5.96
Packing materials	345.45	315.61
Waste (at net realisable value)	74.51	31.90
Work-in-process	1147.72	1147.96
Finished goods {Including in transit Rs.2374.66 lacs (Previous Year Rs.1426.51 lacs)}	15418.08	7225.82
Traded goods {Including in transit Rs.16.56 lacs (Previous Year Nil)}	6878.14	3750.23
	<u>40243.84</u>	<u>24331.16</u>
<b>SCHEDULE 10 : SUNDRY DEBTORS</b>		
<b>Debts outstanding for a period exceeding six months</b>		
Secured, considered good	5.65	5.65
Unsecured, considered good (Including subsidy receivable from Government of India Rs.12721.66 lacs (Previous Year Rs.13756.10 lacs).	13328.89	14180.56
Unsecured considered doubtful	47.69	48.13
<b>Other debts</b>		
Secured, considered good	2024.30	1040.15
Unsecured, considered good (Including subsidy receivable from Government of India Rs. 37453.49 lacs (Previous Year Rs. 32749.99 lacs).	43610.28	40765.68
	<u>59016.81</u>	<u>56040.17</u>
Less: Provision for doubtful debts	47.69	48.13
	<u>58969.12</u>	<u>55992.04</u>
<b>SCHEDULE 11 : CASH AND BANK BALANCES</b>		
Cash on hand	8.47	8.58
Cheques/drafts in hand	-	64.79
Balances with scheduled banks:		
On unpaid dividend/debenture/fixed deposit accounts	841.61	778.10
On current accounts	5886.22	1457.59
On cash credit accounts	16386.82	5.53
On saving accounts	0.43	0.39
On fixed deposit accounts	3046.19	645.70
Balances with overseas banks:		
On current account with State Bank of India, London {Maximum Balance outstanding during the year Rs. 232.92 lacs (Previous Year Rs. 40.88 lacs)}	12.01	39.22
	<u>26181.75</u>	<u>2999.90</u>
<b>SCHEDULE 12 : OTHER CURRENT ASSETS</b>		
(Unsecured, considered good except to the extent stated)		
Interest accrued on investments	-	1.14
Interest receivable on loans, deposits and others	870.30	909.18
Export benefits receivable	416.27	407.04
Insurance and other claims receivable {Considered doubtful Rs.119.79 lacs (Previous Year Rs. 119.79 lacs)}	397.07	334.27
Unamortised premium on forward contracts	1317.10	193.88
Fertilisers Companies Govt. of India bonds (at lower of cost and market value)	16202.70	32505.40
Assets held for disposal (at lower of cost and net realisable value)	20.00	20.00
	<u>19223.44</u>	<u>34370.91</u>
Less: Provision for doubtful receivables	119.79	119.79
	<u>19103.65</u>	<u>34251.12</u>

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 13 : LOANS AND ADVANCES</b>		
(Unsecured, considered good except to the extent stated)		
Advances and loans to subsidiaries	5709.56	378.42
Advances recoverable in cash or in kind or for value to be received (Considered doubtful Rs.214.35 lacs, Previous Year Rs.77.10 lacs)	4404.79	3900.43
Balances with customs, excise, etc.	717.70	965.11
Loans to employees (Secured Rs.462.54 lacs, Previous Year Rs.514.33 lacs)	506.18	552.76
Deposits - others	736.97	677.92
Inter - corporate deposits	3000.00	2000.00
Advance against purchase of shares of subsidiary company	350.00	-
Advance to CFCL Employees Welfare Trust (Refer note no.17 of Schedule 26 C)	677.10	-
Advance fringe benefit tax (Net of Provision for fringe benefit tax)	3.70	3.70
	<u>16106.00</u>	<u>8478.34</u>
Less: Provision for doubtful deposits & advances	214.35	77.10
	<u>15891.65</u>	<u>8401.24</u>
Included in Loans and Advances are:		
i. Dues from Directors of the Company {Maximum amount outstanding during the year Rs.17.03 lacs (Previous Year Rs. 21.43 lacs)}	9.65	17.03
ii. Dues from officers of the Company {Maximum amount outstanding during the year Rs.5.34 lacs (Previous Year Rs.6.85 lacs)}	0.61	5.34
<b>SCHEDULE 14 : CURRENT LIABILITIES</b>		
Sundry creditors		
- Total outstanding dues to Micro and Small Enterprises*	1.52	6.02
- Total outstanding dues to creditors other than Micro and Small Enterprises	15846.79	14260.94
Advances from customers	2017.04	2400.38
Earnest money/security deposits	3322.34	2939.74
Unclaimed statutory liabilities (as referred in Section 205C of the Companies Act 1956):**		
- Unpaid dividend	841.10	775.40
- Unpaid matured deposit	14.79	15.13
- Unpaid interest on above	0.99	1.19
Forward contract	2700.72	1153.83
Book overdraft	-	1.34
Interest accrued but not due on loans	655.96	321.35
Other liabilities	963.15	893.29
	<u>26364.40</u>	<u>22768.61</u>
* Refer Note No. 15 of schedule 26C		
** Amount payable to Investor Education and Protection Fund is Rs.0.06 lacs		
<b>SCHEDULE 15 : PROVISIONS</b>		
Provision for taxation (net of advance tax payments)	3941.50	3962.79
Provision for wealth tax	15.04	12.57
Provision for leave encashment	1302.01	1214.17
Provision for gratuity (refer note no 7(a) of Schedule 26C)	275.95	815.76
Provision for loss on derivative contract	2941.88	2117.18
Proposed dividend on equity shares	7907.95	7907.95
Tax on proposed dividend	1282.87	1313.44
	<u>17667.20</u>	<u>17343.86</u>
<b>SCHEDULE 16 : MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)</b>		
Deferred revenue expenditure		
- Opening balance	-	59.29
- Add: Additions during the year	-	-
- Less: Written-off during the year	-	59.29
- Closing balance	-	-
Amalgamation adjustment account		
- Opening balance	-	113.29
- Less: Transferred to Tonnage Tax Reserve Account	-	113.29
- Closing balance	-	-
	<u>-</u>	<u>-</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED MARCH 31, 2011**

(Rs. in Lacs)

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>SCHEDULE 17 : TURNOVER (GROSS)</b>		
Sale of own manufactured products (including subsidy on fertilisers)	275838.43	253870.72
Sale of traded products (including subsidy on fertilisers)	160686.55	76108.89
Income from operations of shipping business {Including Rs.5087.56 lacs from charter in ship (Previous Year Rs.5229.84 lacs)}	28456.90	27660.35
	<u>464981.88</u>	<u>357639.96</u>
<b>SCHEDULE 18 : OTHER INCOME</b>		
Interest on		
- Long term investments - Non Trade (Gross)	0.15	1.52
- Fertilisers bonds	2470.35	2460.43
- Employees loans	23.15	26.23
- Loans to subsidiaries {Tax deducted at source Rs.1.24 lacs (Previous Year Rs 6.85 lacs)}	134.26	36.04
- Income Tax refund	310.81	57.63
- Deposit (Gross) {Tax deducted at source Rs.56.92 lacs (Previous Year Rs.80.47 lacs)}	569.41	498.99
- Delayed payment by customers {Tax deducted at source Rs.12.38 lacs (Previous Year Rs.10.71 lacs)}	467.22	279.91
Dividend income		
- on non trade current investments	79.39	439.37
- on long term trade investments	1094.21	-
Rent received	4.05	4.26
Foreign exchange variation (Net)	1654.03	383.84
Insurance claims received	753.59	386.74
Liabilities no longer required written back	593.32	534.71
Export benefits	634.71	621.52
Profit on sale of asset (Net)	382.20	117.04
Sale of scrap	270.28	258.18
Miscellaneous income	739.55	554.69
	<u>10180.68</u>	<u>6661.10</u>
<b>SCHEDULE 19 : RAW MATERIAL CONSUMED</b>		
Opening inventories	4418.86	2596.16
Add: Purchases	119837.85	105390.61
Less: Closing inventories	6046.03	4418.86
	<u>118210.68</u>	<u>103567.91</u>
<b>SCHEDULE 20 : PERSONNEL EXPENSES</b>		
Salaries, wages and bonus*	10023.33	8735.22
Contribution to provident and other funds	626.22	571.61
Gratuity expenses (refer Note No.7(a) of Schedule 26C)	300.60	111.76
Workmen and staff welfare expenses*	503.91	442.12
	<u>11454.06</u>	<u>9860.71</u>
*Refer Note No. 4 of Schedule 26C		
<b>SCHEDULE 21 : DECREASE/(INCREASE) IN INVENTORIES</b>		
Closing inventories		
- Work-in-process	1147.72	1147.96
- Finished goods	15418.08	7225.82
- Traded goods	6878.14	3750.23
- Waste	74.51	31.90
	<u>23518.45</u>	<u>12155.91</u>
Opening inventories		
- Work-in-process	1147.96	891.39
- Finished goods	7225.82	7300.49
- Traded goods	3750.23	11556.71
- Waste	31.90	12.65
	<u>12155.91</u>	<u>19761.24</u>
	<u>(11362.54)</u>	<u>7605.33</u>

(Rs. in Lacs)

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>SCHEDULE 22 : OPERATING AND OTHER EXPENSES</b>		
Consumption of stores and spares*	4790.90	3698.07
Consumption of packing materials	8683.48	7356.94
Bagging and other services	602.85	486.69
Power and fuel*	64251.79	56219.07
Catalyst charges written off	272.33	182.96
Rent	1137.53	1152.51
Rates and taxes	127.58	289.02
Insurance*	1721.02	1527.48
Repairs and maintenance:		
- Plant & Machinery	1219.46	1070.61
- Ships	562.15	402.57
- Buildings	387.33	448.99
- Others	653.26	554.80
Ships bunker cost	1345.74	2267.39
Ships port dues	509.85	784.07
Ships special survey expenses	910.27	1383.63
Directors' sitting fees	12.83	8.98
Travelling and conveyance*	1104.08	1014.78
Communication costs	194.53	199.09
Printing and stationery	99.13	90.55
Legal and professional fees*	426.28	419.70
Auditor's remuneration (including Branch Auditors')		
As auditor:		
- Audit fee	40.26	38.61
- Tax audit fee	7.50	7.50
- Limited review fee	22.34	21.84
- Out of pocket expenses	4.09	3.27
In other manner:		
- Management Services	18.75	-
- Certification and other services	19.85	31.48
(Decrease) / Increase of excise duty on inventories	59.80	-
Freight and forwarding charges	28458.58	21422.27
Selling and marketing expenses	877.65	653.48
Cash rebate to customers	139.03	218.76
Commission and brokerage to other than sole selling agents	1085.45	1046.46
Donations and contribution to		
- Corporate Electoral Trust (Political purpose)	-	150.10
- Charitable institutions	6.25	7.95
Depletion of loose tools	7.74	8.66
Green belt development/horticulture expenses	282.84	262.25
Diminution in the value of fertiliser bonds	100.00	1400.00
Provision for loss on derivative transaction	824.70	1405.07
Provision for doubtful advances and debts	137.25	119.79
Premium on forward contracts amortised	3747.65	1081.03
Doubtful debts and advances written off	79.44	4.83
Inventory written off	336.55	38.80
Assets written off	664.67	119.15
Miscellaneous expenses*	1810.83	1637.75
	<u>127743.61</u>	<u>109236.95</u>

\*Refer Note No. 4 of Schedule 26C

(Rs. in Lacs)

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>SCHEDULE 23 : FINANCIAL EXPENSES</b>		
Interest :		
- On term loans*	7537.24	6242.65
- On debentures and commercial papers	991.62	1623.02
- On cash credit facilities	182.68	188.30
- Others	1484.22	461.24
Bank charges and guarantee commission*	782.64	588.93
	<u>10978.40</u>	<u>9104.14</u>

\*Refer Note No. 4 of Schedule 26C

**SCHEDULE 24 : EXCEPTIONAL ITEMS**

Profit on sale of investments	436.87	436.87
	<u>436.87</u>	<u>436.87</u>

**SCHEDULE 25 : EARNING PER SHARE (EPS)**

Net profit after tax as per profit and loss account	32517.85	24905.12
Calculation of weighted average number of equity share		
- Number of shares at the beginning of the year	416207852	416207852
- Total equity shares outstanding at the end of the year	416207852	416207852
- Weighted average number of equity shares outstanding during the year	416207852	416207852
Basic and Diluted Earnings Per Share (In Rs.)	7.81	5.98
Nominal Value of Equity Shares (In Rs.)	10.00	10.00

**SCHEDULE 26 : NOTES TO ACCOUNTS****A. Nature of Operations**

The Company is the largest manufacturer of Urea in private sector in India and is also into the trading of fertilisers and other agri inputs. The Company is also into manufacturing of Synthetic and Cotton Yarn. Shipping Division of the Company is engaged in the business of running of ships for cargo.

**B. Statement of Significant Accounting Policies****1) Basis of Preparation**

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

**2) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual results and estimates is recognized in the period in which the results are known/ materialized.

**3) Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

In respect of accounting periods commencing on or after December 7, 2006, exchange differences arising on reporting of the long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in the previous financial statements are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

#### 4) Depreciation

Depreciation is provided using Straight Line Method as per the useful life of the asset estimated by the management or the rates prescribed under Schedule XIV to the Companies Act, 1956 which ever is higher, except as mentioned in para (i) to (v) below:

Sl. No.	Assets	Useful life/rate
(i)	Second hand fixed assets at Textile division	On technically assessed remaining useful lives of such assets ranging from 3 to 7 years.
(ii)	- Leasehold Land - Leasehold Improvement - Assets under finance lease	Amortised over 99 Years Ranging from 4 to 12 Years Ranging from 3 to 9 Years These assets are amortised over the period of respective leases or useful life of assets, whichever is lower.
(iii)	Insurance/Machinery Spares	Over the remaining useful lives of mother assets ranging from 1 to 18 years.
(iv)	Ships of Shipping Division	On technical evaluation of remaining useful life in case of old ships, which is 10 years, and as per Companies Act, 1956 in case of new ships.
(v)	Fixed assets of Shipping Division other than ships	On written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

Assets costing below Rs.5,000 are depreciated in the year of purchase.

#### 5) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

#### 6) Intangible Assets

Research costs are expensed as incurred. Development expenditure can only be capitalized if specific conditions are fulfilled. Development expenditure incurred on software implementation is carried forward when its future economic benefits can reasonably be regarded as assured. The expenditure carried forward is amortized over their estimated useful life of five years on straight line basis. The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### 7) Leases

Finance leases, which effectively transfer to the Company substantially, all the risk and benefits incidental to the ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are expensed. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease item, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating lease. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight line basis over the lease term.

#### 8) Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/ subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is netted off from the respective expense necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset.

#### 9) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. However, provision for diminution in the value is made to recognize a decline other than temporary in the value of the investments.

## 10) Inventories

Inventories are valued as follows:

Naphtha, Raw materials, Packing materials, Stores and spares	Lower of cost and net realizable value. However, materials and other items held for use in the production of finished goods are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
Catalyst in Use	At depreciated cost on the basis of amortization over their estimated useful lives ranging from five to fifteen years as technically assessed.
Loose Tools	At depreciated cost arrived at on the basis of amortization over a period of three years.
Work in Process and Finished Goods	Lower of cost and net realizable value. Cost includes direct materials, labour, excise duty and a proportion of manufacturing overheads based on normal operating capacity. Cost is determined on a weighted average basis.
Traded products	Lower of cost and net realizable value. Cost is determined on weighted average basis.
Bunkers remaining on board	Lower of cost and net realizable value. Cost is determined on weighted average basis.
Deck, Engine Stores & Spares and Victualling	Lower of cost and net realizable value. Cost is determined on First -In -First -Out basis.
Waste	At net realisable value.

Net Realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## 11) Borrowing Costs

Borrowing costs directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 12) Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

### (i) Sale of Goods

Revenue, including subsidy, in respect of sale of products is recognised when the significant risks and rewards of ownership of the goods is passed to the buyer. Excise Duty deducted from turnover (gross) are the amount that is included in the amount of turnover (gross) and not the entire amount of liability accruing during the year. Sale is net of trade discounts and sales tax. Subsidy on Urea is recognized based on Concession rate, including freight, as notified under the New Pricing Scheme, Uniform Freight Policy and New Investment Policy, further adjusted for input price escalation/de-escalation as estimated by the management based on the prescribed norms.

Subsidy on Traded fertilisers is recognized based on monthly Concession rates, including freight, as notified by the Government of India under Nutrient Based Subsidy Scheme and Uniform Freight Policy.

### (ii) Income from operations of Shipping Division

In respect of voyage charter, revenue is recognized on proportionate number of days of respective voyage. In case of time charter (including cost plus charter), revenue is recognized on time proportion basis.

### (iii) Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Further, interest on delayed payment from customers are accounted on accrual basis to the extent these are measurable & ultimate collection is reasonably certain.

### (iv) Dividend

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if the same is declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

### (v) Insurance Claims

Claims receivable on account of insurance are accounted for to the extent the Company is reasonably certain of their ultimate collection.

### (vi) Export Benefits

Export benefits under Duty Exemption Advance License Scheme, Duty Exemption Pass Book Scheme and Duty Drawback Scheme are accounted for in the year of export of goods.

## 13) Foreign Currency Translation

### (i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

### (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction;

and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) **Exchange differences**

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011.

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) **Forward exchange contracts not intended for trading or speculation purposes**

The premium or discounts arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange difference on such contracts are recognized in the statement of profit and loss in the year in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognized as income or expenses for the year.

#### 14) Retirement and other employee benefits

(i) Retirement benefit in the form of Provident Fund is a defined benefit obligation in case of fertiliser and shipping division of the Company and the contributions are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. Shortfall in the funds, if any, is adequately provided for by the Company.

In respect of Textile division of the Company, Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(ii) Superannuation Fund is a defined contribution scheme. Liability in respect of Superannuation Fund to the concerned employees of Fertiliser & Shipping Division is accounted for as per the Company's Scheme and contributed to Life Insurance Corporation of India (LIC) / ICICI Prudential Life Insurance Company Limited (ICICI) every year. The contributions to the funds are charged to the Profit and Loss Account of the year. The Company does not have any other obligation to the fund other than the contribution payable to LIC / ICICI.

(iii) Pension fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(iv) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. However, in respect of Fertiliser division Company has taken policies from LIC & ICICI and for Shipping Division, the Company has taken a policy from LIC to cover the gratuity liability of the employees. The difference between the actuarial valuation of the gratuity of employees at the year-end and the balance of funds with LIC & ICICI is provided for as liability in the books.

(v) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for on the basis of actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method.

(vi) Actuarial gains/ losses are immediately taken to Profit & Loss Account and are not deferred.

#### 15) Income Taxes

Tax expense comprises of current, deferred and tonnage tax. Current income tax and tonnage tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The Shipping Division of the Company is covered under "Tonnage Tax Scheme" under section 115V of the Income Tax Act, 1961, therefore the items of income/expenses of shipping division has not been considered for the purpose of deferred tax calculation.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situation where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be,

that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

## 16) Segment Reporting Policies

### Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of products manufactured, traded and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the locations of customers.

### Allocation of common costs

Common allocable costs are allocated to each segment in proportion to the relative sales of each segment.

### Unallocated items

All the common income, expenses, assets and liabilities, which are not possible to be allocated to different segments, are treated as unallocated items.

### Segment policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting financial statements of the Company as a whole.

## 17) Earning per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of the equity shares outstanding during the period.

For the purpose of calculating diluted earning per share, net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

## 18) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## 19) Cash and Cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

## 20) Derivative Instruments

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under Accounting Standard 11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the profit & loss account. Net gains are ignored.

## 21) Employee Stock Option Scheme

Measurement and disclosure of the employee stock option scheme is done in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

## C. Notes to accounts

### 1. Contingent Liabilities

(a) Contingent liabilities (not provided for) in respect of:

(Rs. in Lacs)

Sl. No.	Particulars	2010-11	2009-10
i)	Outstanding amount against counter guarantees given to Banks/ Financial Institutions on account of loans given by the said Banks/ Financial Institutions to Bodies Corporate.	-	314.30
ii)	Demand raised by Customs, Sales Tax and Income Tax (IT) authorities being disputed by the Company	6285.91*	5835.84*
iii)	Various labour cases	Amount not ascertainable	Amount not ascertainable
iv)	Other claims against the Company not acknowledged as debts.	4.24	4.24
v)	Claim against Nihat Shipping Company Limited in legal suits/ notices, in which the Company has been made a party, is being contested, since the Company acted as Agents/ Technical & Operational managers.	222.04	222.04
vi)	Penalty levied by FERA Board under appeal before the Calcutta High Court.	1.30	1.30

\* Brief Description of liabilities as per (ii) above:

(Rs. in Lacs)

Sl. No.	Particulars	2010-11	2009-10
1.	<b>Income Tax:</b> Demand raised by IT authorities on account of various disallowances for A.Y. 2002-03 including penalties. Demand raised by IT authorities on account of various disallowances for A.Y. 2003-04 including penalties. Demand raised by IT authorities on account of various disallowances for A.Y. 2004-05 including penalties. Demand raised by IT authorities on account of various disallowances for A.Y. 2006-07 including penalties. Demand raised by IT authorities on account of various disallowances for A.Y. 2008-09 including penalties. Demand raised by IT authorities on account of short deduction of TDS and interest thereon for A.Y 2008-09 & 2009-10.	70.26 2808.10 2320.91 28.93 481.48 508.93	838.92 4674.78 135.21 28.93 - -
2.	<b>Sales Tax:</b> Disallowance of VAT credit on raw materials used in the manufacturing of finished goods and lying in stock on April 1, 2006 Miscellaneous RST & CST demand	22.18 38.47	22.18 38.90
3.	<b>Land Tax:</b> Demand raised by Registrar for usage of land other than specified purposes.	-	92.33
4.	<b>Service Tax/ Excise Duty/ Custom Duty:</b> Service Tax demand received on services from foreign parties in respect to service tax not paid on Tax deducted at source (TDS) portion. Show cause notice dated 16.03.11 related to non payment of service tax on "Renting Income" received during FY 2009-10 for Rs. 2.54 lac.	4.59 2.06	4.59 -
	<b>Total</b>	<b>6285.91</b>	<b>5835.84</b>

Based on favourable decisions in similar cases, legal opinion taken by the Company, discussions with the solicitors, etc., the Company believes that there is fair chance of decisions in its favour in respect of all the items listed in (ii), (iv), (v) and (vi) above and hence no provision is considered necessary against the same.

- (b) The Company had received a demand of Rs.352.34 lacs from Sales Tax Department, Kota in an earlier year towards use of natural gas for ammonia fuel, power and steam generation for the period of April, 1996 to May, 2001. The Company has obtained a stay from Hon'ble High Court of Rajasthan, Jodhpur on 11th July, 2001. However, in the event of the Company having to pay the above, it is reimbursable by Fertiliser Industry Coordination Committee (FICC)/ Government of India under Subsidy Scheme.
- (c) The Company as well as other users of natural gas under HBJ Gas Pipeline had in earlier years received letters from GAIL (India) Limited (erstwhile Gas Authority of India Ltd), informing about the possibility of levy of excise duty on natural gas (presently not levied) with retrospective effect. The amount of such levy is not ascertainable. However, in the event of its levy, it is reimbursable by FICC of Ministry of Fertilisers, the Government of India under Subsidy Scheme.
- (d) The Company as well as other users of Natural Gas under HBJ Gas Pipeline had received a letter in an earlier year from GAIL (India) Limited (erstwhile Gas Authority of India Ltd), informing about the possibility of levy of Central Sales Tax. The Company has been taking the delivery of Gas in the State of Rajasthan and has been accordingly paying Rajasthan Sales Tax on the supply. Therefore, the Company feels that no Central Sales Tax is payable by it. Further, the amount of such levy is not ascertainable. However, in the event of its levy, it is reimbursable by FICC of Ministry of Fertilisers, the Government of India under Subsidy Scheme.
- (e) Under the Jute Packaging Material (Compulsory use of Packing Commodities) Act, 1987, a specified percentage of fertilisers dispatched were required to be supplied in Jute bags up to 31.8.2001. The provisions of the said Act were challenged in the Supreme Court, which upheld the constitutional validity of this Act in its judgment in 1996. In spite of making conscious efforts to step up use of jute packaging material, the Company had been unable to adhere to the specified percentage, due to strong customer resistance to use of jute bags. The Company had received show cause notice from the Office of the Jute Commissioner, Kolkata, for levying a penalty of Rs.7380.36 lacs for non compliance of the provisions of the said Act. The Company has obtained a stay order from Delhi High Court against the above show cause notice and has been advised that the said levy is not tenable in law and accordingly no provision has been considered.

**2. Capital Commitment:**

(Rs. in Lacs)

Particulars	2010-11	2009-10
Estimated amount of contracts remaining to be executed on Capital account (net of advances)	5177.74	4834.86

**3. (a) Directors' remuneration**

(Rs. in Lacs)

Particulars	2010-11	2009-10
Salaries	100.50	86.94
Contribution to Provident Fund	5.11	4.53
Contribution to Superannuation Fund	6.39	5.67
Commission to Independent Directors	20.00	-
Other Perquisites	7.50	8.42
<b>Total</b>	<b>139.50</b>	<b>105.56</b>

**Notes:**

- Remuneration to Managing Director is paid within the limits of Schedule XIII of Companies Act, 1956.
- Managing Director is covered under the Company's Group Gratuity Scheme along with other employees of the Company. The Gratuity and leave liability is determined for all the employees on an overall basis based on the actuarial valuation done by an independent actuary. The specific amount of gratuity and leave liability for Managing Director can not be ascertained separately, except for the amount actually paid.

**(b) Computation of net profit in accordance with section 349 of the Companies Act, 1956 for calculation of commission payable to directors.**

(Rs. in Lacs)

Description	2010-11
Profit before tax (as per Profit and Loss Account)	44079.76
Add:	
Depreciation as per Profit and Loss Account	26794.82
Provision for doubtful debts and advances	137.25
Less:	
Profit on sale of investments	436.87
Profit on sale of fixed assets	382.20
Depreciation (to the extent specified in section 350 of the Companies Act, 1956)	26794.82
Net profit as per section 349 of the Companies Act, 1956	43397.94
Add:	
Directors' remuneration	139.50
<b>Profit as per section 198 of the Companies Act, 1956</b>	<b>43537.44</b>
<b>Commission to Managing and Wholetime directors</b>	
Maximum commission permissible under section 309 of the Companies Act, 1956 at 10% of net profits	4353.74
Commission actually approved for payment	-
<b>Commission to Other directors</b>	
Maximum commission permissible under section 309 of the Companies Act, 1956 at 1% of net profits	435.37
Commission proposed for payment	20.00

**4. Pre-operative expenditure**

The Company has incurred some expenditure related to construction of fixed assets and accordingly capitalized the same to the gross value of assets to which they pertain. The break up of expenditures is as follows:

(Rs. in Lacs)

Particulars	2010-11	2009-10
Opening balance	-	1594.79
Add : Expenditure during the period		
Salaries, wages and bonus	-	202.87
Consumption of stores and spares	-	42.96
Travelling and conveyance	-	40.77
Insurance	-	1.17
Power and Fuel	-	248.92

(Rs. in Lacs)

Particulars	2010-11	2009-10
Legal and professional fees	-	6.60
Miscellaneous expenses	-	19.12
Interest expenses	-	305.48
Bank charges	-	0.11
<b>Total</b>	-	<b>2462.79</b>
Less: Capitalised	-	2462.79
<b>Net pre-operative expenditure (pending for allocation)</b>	-	-

5. Details of investments purchased and sold during the year are given below:

S.No.	Description	No. of units purchased	Purchase value (Rs. in lacs)	No. of units sold	Sale value (Rs. in lacs)
1	Reliance Money Manager Fund - Institutional Option - Daily Dividend Option	329710.49	3301.63	329710.49	3301.63
2	Reliance Liquid Fund - Treasury Plan - Institutional Option - Daily Dividend Option	32710463.34	5000.58	32710463.34	5000.58
3	Reliance Liquid Fund - Cash Plan Daily Dividend Option	58380797.06	6504.50	58380797.06	6504.50
4	Reliance Liquidity Fund – Daily Dividend Reinvestment Option	117020464.91	11708.01	117020464.91	11708.01
5	Birla Sun Life Cash Plus - Institutional Premium - Daily Dividend Reinvestment	166708989.05	16703.41	166708989.05	16703.41
6	Birla Sun Life Saving Fund - Institutional - Growth	11728740.40	2100.61	11728740.40	2100.61
7	Birla Sun Life Cash Manager – IP – Daily Dividend Reinvestment	73046922.21	7306.88	73046922.21	7306.88
8	Kotak Liquid (Institutional Premium) - Daily Dividend	7251.64	0.89	7251.64	0.89
9	Kotak Floater Short Term - Daily Dividend	9888145.59	1000.30	9888145.59	1000.30
10	Fortis Overnight Fund – Institutional Daily Dividend	12997778.02	1300.17	12997778.02	1300.17
11	HDFC Liquid Fund Premium Plan - Dividend - Daily Reinvestment	5689.92	0.70	5689.92	0.70
12	HDFC Cash Management Fund - Saving Plan - Daily Reinvestment	7529477.04	800.87	7529477.04	800.87
13	JP Morgan India Liquid Fund – Super Inst. Daily Dividend Plan – Reinvestment	20005779.64	2002.16	20005779.64	2002.16
14	JP Morgan India Treasury Fund – Super Inst. Daily Dividend Plan – Reinvestment	7997022.35	800.41	7997022.35	800.41
15	Templeton India Treasury Management Account Super Institutional Plan - Daily Dividend Reinvestment	2140837.96	21422.79	2140837.96	21422.79
16	Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend Reinvestment	9994702.05	1000.63	9994702.05	1000.63
17	IDBI Liquid Fund - Daily Dividend – Reinvestment	9005401.30	900.54	9005401.30	900.54
18	SBI - Magnum Insta Cash Fund – Daily Dividend Option	11950895.77	2001.81	11950895.77	2001.81
19	ICICI Prudential Liquid Super Institutional Plan - Dividend – Daily	4699503.88	4700.57	4699503.88	4700.57
20	ICICI Prudential Flexible Income Plan Premium - Daily Dividend	2745338.91	2902.78	2745338.91	2902.78
21	ICICI Prudential Flexible Income Plan Premium – Growth	1025973.51	1800.50	1025973.51	1800.50
22	IDFC Cash Fund - Super Institutional Plan C - Daily Dividend	17997701.44	1800.22	17997701.44	1800.22
23	IDFC Money Manager Fund - TP - Super Institutional Plan C - Daily Dividend	18001825.59	1800.45	18001825.59	1800.45

S.No.	Description	No. of units purchased	Purchase value (Rs. in lacs)	No. of units sold	Sale value (Rs. in lacs)
24	L & T Liquid Institutional Daily Dividend Reinvestment Plan	9897611.16	1001.27	9897611.16	1001.27
25	Axis Liquid Fund – Institutional Daily Dividend Reinvestment	25015.36	250.16	25015.36	250.16
26	JM Money Manager Fund Super Plus Plan - Daily Dividend	1997731.06	200.10	1997731.06	200.10
27	Religare Liquid Fund - Super Institutional Daily Dividend	15002193.64	1501.39	15002193.64	1501.39
28	Peerless Liquid Fund - Super Institutional Daily Dividend	71556504.36	7156.72	71556504.36	7156.72
29	BNP Paribas Overnight Fund – Institutional Daily Dividend	69034575.69	6905.53	69034575.69	6905.53
30	DSP Black Rock Liquidity Fund - Institutional Plan – Daily Dividend	400474.37	4006.01	400474.37	4006.01
	<b>Total</b>	<b>763833517.71</b>	<b>117882.59</b>	<b>763833517.71</b>	<b>117882.59</b>

## 6. Segment Information

### Primary Segment: Business Segment

The Company's operating businesses are organized and managed separately according to the nature of products manufactured, traded and services provided. The four identifiable reportable segments are viz. Own Manufactured Fertilizers, Trading, Textile and Shipping. A description of the types of products and services provided by each reportable segment is as follows:

**Own Manufactured Fertilizers segment** includes manufacture and marketing of urea for which price is fully controlled by the Government of India (GOI) and distribution is partly controlled.

**Trading segment** includes the purchase and sale of Fertilizers and Agricultural Inputs and this activity, though different in risk perception from own manufactured urea, is carried out mainly with an objective of providing Fertilizers/ Agricultural Inputs under one roof.

**Textile segment** includes manufacturing and sale of synthetic and cotton yarn.

**Shipping segment** includes transportation of crude oil and liquid products through vessels owned and/ or hired by the Shipping Division.

### Secondary Segment: Geographical Segment

The analysis of geographical segment is based on the geographical location i.e., domestic and overseas markets, of the customers.

The following table presents segment revenues, results, assets & liabilities in accordance with AS-17 as on March 31, 2011.

(Rs. in Lacs)

Particulars	Own Manufactured Fertilisers		Trading		Shipping		Textile		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<b>Revenue</b>										
External Sales	241421.54	224078.07	160686.55	76108.89	28456.90	27660.35	34075.22	29602.88	464640.21	357450.19
Inter Segment Sales	-	-	-	-	-	-	-	-	-	-
Total sales	241421.54	224078.07	160686.55	76108.89	28456.90	27660.35	34075.22	29602.88	464640.21	357450.19
<b>Results</b>										
Segment Result	36140.76	36724.73	9289.14	2207.04	4660.79	4418.03	3885.40	1242.43	53976.09	44592.23
Unallocated Expenses (net)	-	-	-	-	-	-	-	-	5286.39	4432.83
Operating Profit before										
Exceptional Items	-	-	-	-	-	-	-	-	48689.70	40159.40
Exceptional Items	-	-	-	-	-	-	-	-	436.87	436.87
Interest Expenses	-	-	-	-	-	-	-	-	10195.76	8515.21
Interest Income	-	-	-	-	-	-	-	-	3975.35	3360.75
Dividend Income	-	-	-	-	-	-	-	-	1173.60	439.37
Income Tax	-	-	-	-	-	-	-	-	11561.91	10976.06
Net Profit after Exceptional Items	-	-	-	-	-	-	-	-	32517.85	24905.12
<b>Other Information</b>										
Segment Assets	186676.54	189302.17	19017.54	13716.78	145361.61	154579.66	27163.07	25587.22	378218.76	383185.83
Unallocated Assets	-	-	-	-	-	-	-	-	96634.38	82079.04
Total Assets	-	-	-	-	-	-	-	-	474853.14	465264.87
Segment Liabilities	15600.09	15073.51	822.84	2216.34	1590.77	3780.81	2392.88	1792.24	20406.58	22862.90
Unallocated Liabilities	-	-	-	-	-	-	-	-	292113.79	303396.23

Particulars	Own Manufactured Fertilisers		Trading		Shipping		Textile		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Total Liabilities	-	-	-	-	-	-	-	-	312520.37	326259.13
Capital Expenditure	5307.31	9443.58	-	-	544.10	21144.47	318.56	292.18	6169.97	30880.23
Depreciation	16143.52	16305.19	-	-	8881.27	7470.39	1647.32	1892.68	26672.11	25668.26
Unallocated Depreciation/Amortisation	-	-	-	-	-	-	-	-	122.71	93.51
Non-cash expenses other than Depreciation & Amortisation	-	-	-	-	-	59.29	-	-	-	59.29

#### Secondary Segment Reporting (by Geographical Segments)

The following is the distribution of the Company's consolidated revenue by geographical markets, regardless of where the goods were produced.

(Rs. in Lacs)

Particulars	2010-11	2009-10
Revenue from Domestic Market	433356.56	331874.82
Revenue from Overseas Markets	31283.65	25575.37
Total	464640.21	357450.19

Geographical segment wise receivables:

(Rs. in Lacs)

Particulars	2010-11	2009-10
Receivables from Domestic Markets	56646.58	54001.75
Receivables from Overseas Markets	2322.54	1990.29
Total	58969.12	55992.04

The Company has common assets for producing goods for Domestic Market and Overseas Markets. Hence, separate figures for assets/additions to fixed assets cannot be furnished.

#### 7. Gratuity and Other Post Employment Benefit Plans:

##### a) Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days (15 to 30 days in case of Shipping Division) salary (last drawn salary) for each completed year of service. The Scheme is funded with an insurance company in the form of a qualifying insurance policy in respect of Fertiliser and Shipping division of the Company.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

##### Profit and Loss Account

Net employee benefit expense (recognised in Employee Cost)

(Rs. in Lacs)

Particulars	Gratuity	
	2010-11	2009-10
Current service cost	114.76	104.83
Interest cost on benefit obligation	83.67	78.76
Expected return on plan assets	(22.32)	(6.58)
Net actuarial (gain)/loss recognised in the year	33.55	(65.25)
Past service cost	90.94	-
Net (benefit)/expense	300.60	111.76
Actual return on plan assets	47.36	1.57

##### Balance Sheet

Details of Provision for Gratuity

Particulars	Gratuity	
	2010-11	2009-10
Defined benefit obligation	1279.74	1065.09
Fair value of plan assets	1003.79	249.33
Plan asset/(liability)	(275.95)	(815.76)

Changes in the present value of the defined benefit obligation are as follows:

(Rs. in Lacs)

Particulars	Gratuity	
	2010-11	2009-10
Opening defined benefit obligation	1065.09	1051.60
Interest cost	83.67	78.76
Current service cost	114.76	104.83
Past service cost	90.94	-
Benefits paid out of funds	(98.74)	(46.47)
Benefits paid by Company	(34.57)	(53.37)
Actuarial (gains)/losses on obligation	58.59	(70.26)
Closing defined benefit obligation	1279.74	1065.09

Changes in the fair value of plan assets are as follows:

(Rs. in Lacs)

Particulars	Gratuity	
	2010-11	2009-10
Opening fair value of plan assets	249.33	87.06
Expected return	22.32	6.58
Contribution by employer	805.85	207.17
Benefits paid	(98.74)	(46.47)
Actuarial gains/(losses) on obligation	25.03	(5.01)
Closing fair value of plan assets	1003.79	249.33

The Company expects to contribute Rs.137.01 Lacs (approx.) to gratuity in 2011-12.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Gratuity (%)	
	2010-11	2009-10
Investments with insurer	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity for the Company's plans are shown below:

Particulars	2010-11 (%)	2009-10 (%)
Discount Rate	8.00	7.75
Expected rate of return on assets	7.75 to 9.25	9.00 to 9.30
Employee turnover rate	1 to 3	1 to 3

The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous four periods in respect of gratuity are as follows:

(Rs. in Lacs)

Particulars	Gratuity				
	2010-11	2009-10	2008-09	2007-08	2006-07
Defined benefit obligation	1279.74	1065.09	1051.60	872.73	897.31
Plan assets	1003.79	249.33	87.06	107.31	163.96
Surplus/(deficit)	(275.95)	(815.76)	(964.54)	(765.42)	(733.35)
Experience adjustment on plan assets – gain/(loss)	24.13	1.92	(1.69)	-	-
Experience adjustment on plan liabilities – (loss)/gain	(24.50)	(0.68)	(105.47)	-	-

Contribution to Defined Contribution Plans:

(Rs. in Lacs)

Particulars	2010-11	2009-10
Provident Fund/Pension Fund*	116.23	265.53
Superannuation Fund	88.37	80.07

\* Provident fund in respect of textile division (Previous year textile and shipping division) of the Company and Pension fund in respect of all divisions of the Company.

**b) Provident fund**

The Company has set up provident fund trust, which is managed by the Company in respect of Fertiliser and Shipping division of the Company and as per the Guidance Note on implementing AS-15, Employee Benefits (revised 2005) issued by the Accounting Standard Board (ASB), provident funds set up by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan. Pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the provident fund liability. However, the Company has ascertained that at the year end there is no shortfall in the Provident Fund Trust.

**8. Related Party Disclosures**

During the year, the Company entered into transactions with the related parties. Those transactions along with related balances as at March 31, 2011 and for the year then ended are presented in the following table.

List of related parties along with nature and volume of transactions is given below:

**(a) Subsidiaries**

CFCL Overseas Limited, Cayman Island  
Chambal Infrastructure Ventures Limited, India  
India Steamship Pte. Limited., Singapore

**Subsidiaries and Step-down Subsidiaries of CFCL Overseas Limited**

\* CFCL Technologies Limited, Cayman Islands  
\* CFCL Ventures Limited, Cayman Islands  
\* ISGN Corporation, USA

**Subsidiaries and Step-down Subsidiaries of ISGN Corporation, USA**

\* NITC GmbH (Germany) (formerly known as NovaSoft Information Technology Corporation GmbH,  
\* Dynatek Inc., USA (merged with ISGN Corporation w.e.f. April 1, 2009)  
\* ISGN Solutions Inc, USA  
\* Richmond Investors, LLC ("Investors"), USA  
\* Richmond Title Genepar, LLC, USA  
\* Richmond Title Services, LP, USA  
\* Flex Agents Signing Team, LLC, USA  
\* Richmond Title Services, LLC (Alabama), USA  
\* ISGN Fulfillment Services, Inc. (Pennsylvania, USA) (acquired along with step down subsidiaries w.e.f. December 12, 2009) (formerly known as Fiserv Fulfillment Services, Inc)  
\* ISGN Fulfillment Services, Inc (AZ, USA) (formerly known as Fiserv Fulfillment Services, Inc (AZ, USA))  
\* ISGN Fulfillment Services, South Inc (FL, USA) (formerly known as Fiserv Fulfillment Services, South Inc (FL, USA))  
\* ISGN Fulfillment Services, of Alabama LLC (AL, USA) (formerly known as Fiserv Fulfillment Services, of Alabama LLC (AL, USA))  
\* ISGN Fulfillment Services, of Maryland, Inc (MD, USA) (formerly known as Fiserv Fulfillment Services, of Maryland, Inc (MD, USA))  
\* ILS Services, LLC (DE, USA)  
\* ISGN Fulfillment Agency, LLC (DE, USA) (formerly known as Fiserv Fulfillment Agency, LLC (DE, USA))  
\* ISGN Fulfillment Agency of Alabama, LLC (AL, USA) (formerly known as Fiserv Fulfillment Agency of Alabama, LLC (AL, USA))

**Subsidiaries and Step-down Subsidiaries of CFCL Ventures Limited**

\* ISG NovaSoft Technologies Limited, India  
\* Inuva Info Management Private Limited, India  
\* ISGN Solution Ltd, Ireland (Liquidated in May 2009)

**Subsidiaries of Chambal Infrastructure Ventures Limited**

\* Chambal Energy (Chhattisgarh) Limited  
\* Chambal Energy (Orissa) Limited

(Rs in Lacs)

Nature of Transactions	2010-11		2009-10	
<b>Services Expenses</b>		<b>833.63</b>		<b>327.19</b>
- India Steamship Pte Limited, Singapore	833.63		327.19	
<b>Other Income</b>		<b>7.79</b>		<b>5.55</b>
- India Steamship Pte Limited, Singapore	7.79		5.55	
<b>Interest Income</b>		<b>134.26</b>		<b>36.04</b>
- CFCL Technologies Limited	-		36.04	
- ISG Novasoft Technologies Limited	12.39		-	
- CFCL Overseas Limited	121.87		-	

Nature of Transactions	2010-11		2009-10	
	<b>Investments purchased</b>		<b>4480.14</b>	
-CFCL Overseas Limited	4480.14		6096.29	-
<b>Advance towards share application money</b>		<b>350.00</b>		<b>-</b>
-Chambal Infrastructure Ventures Limited	350.00		-	-
<b>Loan Given</b>		<b>6449.51</b>		<b>820.00</b>
- ISG Novasoft Technologies Limited	1360.00		820.00	
- CFCL Overseas Limited	5089.51		-	
<b>Loan Repaid</b>		<b>1174.25</b>		<b>820.00</b>
- CFCL Overseas Limited	714.25		-	
- ISG Novasoft Technologies Limited	460.00		820.00	
<b>Reimbursement of expenses</b>		<b>7.58</b>		<b>126.24</b>
-Chambal Infrastructure Ventures Limited	0.92		17.54	
-Chambal Energy (Chhattisgarh) Limited	0.50		90.75	
-Chambal Energy (Orissa) Limited	5.72		18.96	
-CFCL Overseas Limited, Cayman Islands	0.44		0.27	
-ISG Novasoft Technologies Limited	-		(1.28)	
<b>Corporate Guarantees Outstanding</b>		<b>-</b>		<b>314.30</b>
-ISGN Corporation, USA	-		314.30	
<b>Outstanding Balances as at the year end</b>		<b>5821.59</b>		<b>378.42</b>
<b>Advances receivables</b>				
-ISGN Corporation, USA	10.96		10.96	
-ISG Novasoft Technologies Limited	906.39		0.89	
-Chambal Infrastructure Ventures Limited	284.16		233.24	
-Chambal Energy (Orissa) Limited	24.68		18.96	
-Chambal Energy (Chhattisgarh) Limited	114.04		113.54	
-CFCL Overseas Limited, Cayman Islands	4481.36		0.83	
<b>Trade Receivable</b>		<b>221.99</b>		<b>142.34</b>
-India Steamship Pte. Limited, Singapore	221.99		142.34	

(b) **Joint Ventures**

Indo Maroc Phosphore S.A., Morocco,

(Rs. in Lacs)

Nature of Transactions	2010-11		2009-10	
	Dividend income		1094.21	-
	1094.21		-	-
Reimbursement of expenses		38.58	64.25	64.25
	38.58		-	-
<b>Outstanding balances as at the year end</b>		<b>33.58</b>		<b>51.44</b>
<b>Advances receivables</b>			51.44	
	33.58			

(c) **Associates**

Zuari Investments Ltd. (ceased w.e.f May, 2009)

(Rs. in Lacs)

Nature of Transactions	2010-11		2009-10	
	Services expenses		-	
	-		1.31	
Rent income		-		2.53
	-		2.53	
Reimbursement of Expenses		-		0.43
	-		0.43	
Outstanding balances as at the year end Receivables		-		6.40
	-		6.40	

**Note:** Transactions and outstanding balance are furnished till the date Zuari Investments Ltd. was Company's associate.

(d) **Key Management Personnel and their relatives**

Mr. Anil Kapoor  
Mrs. Deepali Kapoor (Spouse)  
Mr. Hemant Kapoor (Son)  
Ms. Priyanka Kapoor (Daughter)

(Rs. in Lacs)

Nature of Transactions	2010-11		2009-10	
	Remuneration paid to Managing Director - Mr. Anil Kapoor	119.50	119.50	105.56
Interest Income on Loan given to Managing Director - Mr. Anil Kapoor	0.60	0.60	1.07	1.07
Outstanding Balances as at the year end Loan receivable - Mr. Anil Kapoor	9.65	9.65	17.03	17.03

9. Details of loans and advances to firms/ companies in which directors are interested and Investments by the loanee in the shares of the Company (as required by clause 32 of listing agreement).

(Rs. in Lacs)

Particulars	Outstanding amount as at *		Maximum amount outstanding during financial year	
	31.03.2011	31.03.2010	2010-11	2009-10
Loans and advances to firms/ Companies in which directors are interested				
- The Oudh Sugar Mills Limited	1000.00	1000.00	1000.00	1000.00
- Upper Ganges Sugar & Industries Limited	1000.00	1000.00	1000.00	1000.00
- Gobind Sugar Mills Limited	-	-	-	1000.00
- Zuari Investments Limited	1000.00	-	1000.00	-
Investments by the above mentioned loanees in the shares of the Company				
- Upper Ganges Sugar and Industries Limited	70.42	70.42	70.42	70.42
- Gobind Sugar Mills Limited	-	0.19	-	0.19
- Zuari Investments Limited	40.30	-	40.30	-

\* Repayable within one year

#### 10. Investments

- The Company has made further investment of Rs.4480.14 lacs in its wholly owned subsidiary CFCL Overseas Limited, Cayman Island.
- During the year, the Company has fully sold the stake in "Zuari Investments Limited" at a consideration of Rs.1060.97 lacs and recognized gain on sale of investment of Rs.436.87 lacs.
- The Company has investments of Rs.31114.13 lacs in the Share Capital of CFCL Overseas Limited, Cayman Islands. CFCL Overseas Limited, in turn has investment in CFCL Ventures Ltd., India and ISGN Corporation, USA through its wholly owned subsidiary CFCL Technologies Ltd. In turn CFCL Ventures Limited has further invested in its wholly owned subsidiary ISG NovaSoft Technologies Limited, India. As per the latest financial statements of ISG NovaSoft Technologies Limited, India and ISGN Corporation USA, their accumulated losses have resulted in erosion of significant portion of the net worth of these companies. These being long-term strategic investments and also in view of projected profitable operations of these companies in near future, in the opinion of management, no provision for diminution in value of investment is required to be made as per Accounting Standard 13 "Accounting for Investment" notified by Companies (Accounting Standards) Rules, 2006 (as amended).

#### 11. Interest in joint venture

The Company has 33.33% ownership interest in Indo Maroc Phosphore S.A. IMACID, which is engaged in manufacturing of phosphoric acid.

The Company's share of the assets, liabilities, income and expenses of the jointly controlled entity are as follows:

(Rs. In Lacs)

Sl. No.	Particulars	2010-11	2009-10
1.	Country of Incorporation or Registration	Morocco	Morocco
2.	Accounting Period ended	31.12.2010	31.12.2009
3.	Assets	30118.06	27240.53
4.	Liabilities	11045.66	8766.35
5.	Income	42407.07	35613.05
6.	Expenses	38901.59	34451.12
7.	Contingent Liabilities	-	-
8.	Capital Commitments	-	250.17

#### 12. Government grants and subsidies

- Nitrogenous Fertilizers are under the Concession Scheme as per New Pricing Scheme implemented w.e.f. 1st April, 2003. The concession price and freight has been accounted for on the basis of notified prices, further adjusted for input price escalation/ de-escalation, as per known policy parameters of NPS - Stage III, applicable for the period from

October 1, 2006 to 31st March, 2010, extended thereafter provisionally till further orders. Accordingly, the impact of revised concession price has been accounted for.

Contribution from sale of surplus ammonia has been accounted for in accordance with the known policy parameters.

The current year subsidy income is inclusive of Rs.1138.84 lacs (Previous Year Rs.3734.27 lacs) being the subsidy income, pertaining to earlier years, determined during the year.

- b) Subsidy on traded fertilisers has been accounted based on Nutrient Based Policy as notified by the Government of India. The current year subsidy income is inclusive of Rs.167.61 lacs (Previous Year Rs. Nil) being the subsidy income, pertaining to earlier years, determined during the year.
- c) The Textile Division of the Company is eligible for interest concession under the TUFs (Technology Upgradation Fund Scheme) of the Government of India. Accordingly, the Company has availed interest concession of Rs.433.40 lacs (Previous year Rs.455.66 lacs) during the year and reduced the same from interest expenses.

13. During the year, Government of India has come up with guidelines for buy back of fertilizer bonds issued to the industry and would also compensate part of loss suffered by the industry on these bonds. Accordingly, the Company has sold 50% of its holding of "Fertilizer Companies Government of India Special Bonds" at a specified price as determined by the Reserve Bank of India (RBI) which has resulted into a loss of Rs.2681.55 lacs, against which the Company had already provided for mark to market losses of Rs.2155.00 lacs. However, loss of differential amount has not been charged to Profit and Loss Account as the Company is hopeful of getting at least the differential amount reimbursed by the Government of India.

Further, since the mechanism for determination of such compensation has not been notified by Government of India, the Company has not accounted for entire compensation as it is not prudent in terms of Accounting Standard 9- Revenue Recognition / Accounting Standard 12-Accounting for Government Grants, notified by Companies (Accounting Standards) Rules, 2006 (as amended) till the time of final determination of compensation.

#### 14. Leases

- (a) The lease payment made during the year amounts to Rs.181.59 lacs (Previous year Rs.125.90 lacs), out of which Rs.69.62 lacs (Previous year Rs.91.06 lacs) has been adjusted against Principal and Rs.111.97 lacs (Previous year Rs.34.81 lacs) has been shown as Finance Lease Charges. Further, during the year, the Company has renegotiated the terms of the finance lease with the lessor. Accordingly, the fixed assets taken on finance lease amounting to Rs.176.65 lacs (Previous Year Rs. Nil) have been decapitalised in the books of account. The interest rate on various finance leases is around 10% to 28%. There is no renewal and escalation clause as well as restriction imposed in the lease agreement. There are no subleases.

The break up of minimum lease payment outstanding as at March 31, 2011 is as follows:

(Rs. in Lacs)

Period	2010-11			2009-10		
	Minimum lease payments	Principal	Finance lease charges	Minimum lease payments	Principal	Finance lease charges
Payable within one year	103.55	22.07	81.48	146.29	81.01	65.28
Payable after one year but before 5 years	367.99	114.98	253.01	483.08	271.73	211.35
Payable after 5 years	222.04	160.94	61.09	221.20	191.52	29.68

- (b) The Company has entered into Operating Lease Agreements for the premises which are non- cancelable. The lease payments recognized in the statement of Profit and Loss Account during the period amounts to Rs.760.95 lacs (Previous year Rs.425.02 lacs). The renewal of lease will be as per the mutual understanding of lessee and lessor and there is no escalation clause. There are no restrictions imposed by lease arrangements and there are no subleases. The break up of minimum lease payment outstanding as at March 31, 2011 is as follows:

(Rs in Lacs)

Period	Minimum Lease Payments	
	2010-11	2009-10
Payable within one year	731.81	644.13
Payable after one year but within five years	2854.76	3127.18
Payable after five year	2103.72	1566.43

- (c) The lease payments, other than cases covered in point no. (b) above i.e. non - cancelable leases, recognized in the statement of Profit and Loss Account during the period amounts to Rs.376.58 lacs (Previous year Rs.727.49 lacs). The renewal of leases will be as per the mutual understanding of lessee and lessor and there is no escalation clause. There are no restrictions imposed by lease arrangements.

15. Details of dues to Micro and Small Enterprises as per MSMED Act, 2006:

(Rs. in Lacs)

Particulars	2010-11	2009-10
The principal amount due and remaining unpaid to any supplier as at the end of each accounting year.	1.52	6.02
The interest due on unpaid principal amount remaining as at the end of each accounting year.	-	-

Particulars	2010-11	2009-10
the amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	-	-
the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-

#### 16. Derivative Instruments:

##### A. Derivative outstanding as on March 31, 2011

Sl. No.	Details of Derivatives	Currency/Pair of Currency	Amount in foreign currency	Amount (Rs. in Lacs)	Purpose	
I	Forward Contracts	Buy	INR-USD	USD 173,428,059 (58,816,261)	77348.91 (26408.50)	To hedge foreign currency loans from bank.
			INR-USD	USD - (20,000,000)	- (8980.00)	To hedge future Import commitments
			INR-USD	USD - (2,156,716)	- (968.37)	To hedge the liabilities under deferred payments
			INR-EURO	EURO - (543,150)	- (347.40)	To hedge future Import commitments
			INR-USD	USD - (2,000,000)	- (898.80)	To hedge the charter hire receivables
II	Interest Swap		USD 146,293,333 (158,263,333)		To hedge the interest expense on foreign currency loan	

##### B. Details of foreign currency exposures that are not hedged by a derivative Instrument or otherwise.

Sl. No.	Exposure in Foreign currency	Nature of exposure and amount			
		Sundry creditors & other payables	Loans	Sundry Debtors & other receivables	Investments
1.	USD	1,566,501 (3,848,170)	298,734,808 (318,038,613)	18,812,119 (6,685,138)	70,491,174 (60,741,174)
2.	SGD	114,563 (57,145)	-	- (33,355)	1,079,962 (1,079,962)
3.	JPY	5,110,409 (3,144,201)	-	- (-)	- (-)
4.	GBP	3,633 (14,532)	- (-)	- (311)	- (-)
5.	EURO	465,486 (178,980)	- (-)	10,846 (734)	- (-)
6.	AED	59,080 (54,638)	- (-)	- (-)	- (-)
7.	MAD	- (-)	- (-)	- (-)	206,667,000 (206,667,000)
8.	KW	- (11,053,318)	- (-)	- (-)	- (-)
9.	NOK	53,753 (-)	- (-)	- (-)	- (-)
	Exposure – (Rs. in lacs)	1074.50 (1923.15)	133235.72 (142799.11)	8397.05 (3012.98)	39913.49 (35433.35)

#### Notes:

- Unhedged Loan of Rs.114189.86 lacs (Previous Year Rs. 127607.55 lacs) are not payable within next one year.
- The hedging of Foreign Currency outflows is decided after considering the extent of natural hedge available from foreign currency inflows from export of goods and shipping activities.

- 3) In case of hedged transactions mentioned in (A) above, all losses, wherever applicable, as of March 31, 2011 have been provided for.
- 4) Previous year figures have been given in bracket.

#### 17. Employee Stock Option Plan

In terms of approval of shareholders accorded at the Annual General Meeting held on 27th August, 2010 and in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, (SEBI Guidelines) the Company formulated CFCL Employees Stock Option Scheme, 2010 ("Plan") for specified categories of employees and managing director of the Company. The Company has constituted a Compensation Committee comprising of majority of independent directors to administer the Plan. As per the Plan, 4,162,000 Stock Options can be issued to managing director and other specified categories of employees of the Company. The options are to be granted at market price. As per SEBI Guidelines, the market price is taken as the closing price on the day preceding the date of grant of options, on the stock exchange where the trading volume is the highest. Each option, upon vesting, shall entitle the holder to acquire 1 equity share of Rs.10 . Details of the scheme are as under:

Particulars	Tranche 1	Tranche 2
Date of grant	16-Sept-2010	22-Jan-2011
Date of Board Approval	08.05.2010	08.05.2010
Date of Shareholder's approval	27.08.2010	27.08.2010
Number of options granted	2,850,000	300,000
Method of Settlement (Cash/Equity)	Equity	Equity
Exercise Period	5 years from the date of vesting	5 years from the date of vesting
Vesting Conditions	Continued employment and individual performance	Continued employment and individual performance

#### Vesting Schedule:

Vesting Date	Tranche 1	Tranche 2
1 Year from the date of grant	15%	15%
2 Years from the date of grant	15%	15%
3 Years from the date of grant	20%	20%
4 Years from the date of grant	25%	25%
5 Years from the date of grant	25%	25%

The details of activities have been summarized below:

Particulars	2010-11	
	Tranche 1	Tranche 2
Outstanding at the beginning of the year	-	-
Granted during the year	2,850,000	300,000
Forfeited during the year	42,500	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	2,807,500	300,000
Exercisable at the end of the year	-	-
Weighted average remaining contractual life (in years)	5.8	5.8
Weighted average Exercise price (In Rs.)	73.50	76.85

Weighted average fair value of options granted on September 16, 2010 and January 22, 2011 is Rs. 27.12 and Rs. 28.84 respectively.

The details of exercise price of stock options outstanding at the end of the year are:

Range of Exercise prices	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average Exercise price (In Rs.)
73.50	2,807,500	5.80	73.50
76.85	300,000	5.80	76.85

#### Stock Options granted

The weighted average fair value of stock options granted during the year was Rs. 27.29. The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

Particulars	Tranche 1	Tranche 2
Weighted average share price	73.50	76.85
Exercise Price	73.50	76.85
Expected Volatility	63.06%	63.94%
Life of the options granted (Vesting and exercise period) in years	5.80	5.80
Average risk-free interest rate	7.79%	8.05%
Expected dividend yield	7.02%	7.02%

The expected volatility was determined based on historical volatility data. For calculating volatility, the Company has considered the daily volatility of the stock prices of the Company on National Stock Exchange over a period prior to the date of grant, corresponding with the expected life of the options.

**Since the Company used the intrinsic value method, the impact on the reported net profit and earnings per share by applying the fair value based method**

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan, the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows:

(Rs. in Lacs)

Particulars	2010-11
Profit as reported	32517.85
Add: Employee stock compensation under intrinsic value method	-
Less: Employee stock compensation under fair value method	178.11
Proforma profit	32339.74
<b>Earnings Per Share</b>	
<b>Basic &amp; Diluted</b>	
- As reported	7.81
- Proforma	7.77

In FY 2010-11, CFCL Employees Welfare Trust ("Trust") was constituted, *inter alia*, for the purpose of subscribing/ acquiring equity shares of Chambal Fertilisers and Chemicals Limited from the Company /Secondary market , to hold the shares and to allocate/ transfer these shares to eligible employees of the Company from time to time on the terms and conditions specified under the Plan. The Board of Directors at its meeting held on May 8, 2010 had approved grant of financial assistance upto Rs.3,000 lacs by the Company to Trust in such manner and on such terms as agreed between the trustee(s) of the Trust and Managing Director of the Company for the purpose of subscribing/acquiring shares of the Company. The outstanding loan to the trust as at March 31, 2011 is Rs.677.10 lacs. Trust has purchased 847,002 equity shares of the Company from the open market, out of interest free loan provided by the Company till March 31, 2011.

18. Excise duty on sales amounting to Rs.341.67 lacs (Previous year Rs.189.77 lacs) has been reduced from sales in profit & loss account & excise duty on increase/decrease in stock amounting to Rs.59.80 lacs (previous year Rs. Nil) has been considered as expense in schedule 22 of the financial statements.
19. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956:

a) Capacity:

Product	Unit	Installed Capacity (*)	
		2010-11	2009-10
(i) Fertiliser			
Ammonia	MTPD	2700	2700
Urea	MTPD	4600	4600
(ii) Yarn Spindles	Nos.	83376	83376

\*As certified by the management.

Note: Licensed capacity is not applicable.

b) Production, Sales and Stocks:

Product	2010-11		2009-10	
	Quantity (Tons)	Amount (Rs. in Lacs)	Quantity (Tons)	Amount (Rs. in Lacs)
<b>Production</b>				
Ammonia	1216649.000	-	1175115.000	-
Urea	2100175.000	-	2030790.000	-
<b>Total</b>	<b>3316824.000</b>	<b>-</b>	<b>3205905.000</b>	<b>-</b>
<b>Synthetic Yarn</b>				
Man-made Fibers Yarn	10580.660		11473.146	-
Fiber Yarn Waste	526.208		600.746	-
<b>Total</b>	<b>11106.868</b>		<b>12073.892</b>	
<b>Cotton Yarn</b>				
Yarn	9320.050		8949.906	-
Waste	2363.702		2204.824	-
<b>Total</b>	<b>11683.752</b>		<b>11154.730</b>	
<b>Opening Stock</b>				
Ammonia	4855.540	494.51	1824.990	213.99
Urea	61476.566	5462.64	45574.857	4752.41
<b>Total</b>	<b>66332.106</b>	<b>5957.15</b>	<b>47399.847</b>	<b>4966.40</b>
<b>Synthetic Yarn</b>				
Man-made Fibre Yarn	1176.433	1487.79	1550.000	1702.04
Fibre Yarn Waste	13.370	0.65	12.000	0.65
<b>Total</b>	<b>1189.803</b>	<b>1488.44</b>	<b>1562.000</b>	<b>1702.69</b>
<b>Cotton Yarn</b>				
Yarn	230.856	275.39	758.000	846.04
Waste	176.000	31.25	62.000	12.00
<b>Total</b>	<b>406.856</b>	<b>306.64</b>	<b>820.000</b>	<b>858.04</b>
<b>Captive Consumption</b>				
Ammonia	1201082.000	143193.00	1157862.000	117916.67
<b>Closing Stock</b>				
Ammonia	2633.470	313.85	4855.540	494.51
Urea	120345.864	12103.15	61476.566	5462.64
<b>Total</b>	<b>122979.334</b>	<b>12417.00</b>	<b>66332.106</b>	<b>5957.15</b>
<b>Synthetic Yarn</b>				
Man-made Fibres Yarn	1011.901	1443.14	1176.433	1487.79
Fibre Yarn Waste	2.920	0.79	13.370	0.65
<b>Total</b>	<b>1014.821</b>	<b>1443.93</b>	<b>1189.803</b>	<b>1488.44</b>
<b>Cotton Yarn</b>				
Yarn	1244.493	1871.79	230.856	275.39
Waste	165.107	73.72	176.000	31.25
<b>Total</b>	<b>1409.600</b>	<b>1945.51</b>	<b>406.856</b>	<b>306.64</b>
<b>Sales</b>				
Ammonia	17789.070	3176.28	14222.450	2363.97
Urea	2041073.950	238586.35	2014337.600	221902.47
<b>Total</b>	<b>2058863.020</b>	<b>241762.63</b>	<b>2028560.050</b>	<b>224266.44</b>
<b>Synthetic Yarn</b>				
Man-made Fibre Yarn	10745.192	17502.94	11846.972	15831.72
Fibre Yarn Waste	536.658	82.77	599.306	96.57
<b>Total</b>	<b>11281.850</b>	<b>17585.71</b>	<b>12446.278</b>	<b>15928.29</b>
<b>Cotton Yarn</b>				
Yarn	8306.413	15666.55	9477.050	12990.23
Waste	2374.595	823.54	2091.104	685.76
<b>Total</b>	<b>10681.008</b>	<b>16490.09</b>	<b>11568.154</b>	<b>13675.99</b>

**Notes:**

-Stock of Ammonia is included under Stock-in-Process.

-Difference in quantity tally is on account of shortages/excess/ damages etc.

c) Raw material consumed - indigenous & imported:

Particulars	Unit	2010-11			2009-10		
		Quantity	Value (Rs. in Lacs)	%	Quantity	Value (Rs. in Lacs)	%
<b>Indigenous</b>							
Natural Gas	'000 SM <sup>3</sup>	834946.75	95819.84	81.06	805018.94	85218.43	82.20
Staple Fibre	MT	13991.35	10252.21	8.67	14202.03	9573.97	9.29
Cotton	MT	8827.46	12138.63	10.27	8977.99	8775.51	8.51
<b>Total</b>			118210.68	100.00		103567.91	100.00
<b>Imported</b>		-	-	-	-	-	-

d) Trading activity:

Products	Unit	2010-11		2009-10	
		Quantity	Value (Rs. in Lacs)	Quantity	Value (Rs. in Lacs)
<b>Opening Stock</b>					
DAP	MT	14.636	0.53	5420.792	1161.68
MOP	MT	4.674	0.49	22568.116	7450.32
Pesticides	Ltr	671162.475	2704.12	2566753.100	2566.18
Pesticides	KG	548193.800		420616.750	
Seeds	MT	911.730	256.91	5023.400	39.95
Zinc	MT	17.525	2.63	23.725	5.56
Micro Nutrient	MT	4965.948	681.80	1543.528	296.72
Cattle feed	MT	-	-	5.500	0.51
Complex Fertiliser	MT	186.785	103.75	56.147	35.79
			3750.23		11556.71
<b>Purchases</b>					
DAP	MT	403091.070	97023.15	136254.004	24895.39
MOP	MT	114121.772	19470.26	63941.208	14250.27
Pesticides	Ltr	1989793.285	17038.64	2634339.650	13973.85
Pesticides	KG	15943444.300		14146481.240	
Seeds	MT	24716.358	3755.59	15562.308	2896.20
SSP	MT	72311.850	2219.85	697.000	8.30
Zinc	MT	9295.035	2267.72	8885.760	1892.75
Micro Nutrient	MT	9081.362	1342.38	12472.540	1664.66
Organic Fertilisers	MT	-	-	450.000	9.00
Gypsum	MT	30201.500	196.92	23479.400	137.35
Cattle Feed	MT	-	-	778.200	46.95
Complex Fertiliser	MT	144.780	83.46	374.788	212.55
			143397.97		59987.27
<b>Sales</b>					
DAP	MT	401486.750	108768.96	141646.980	28765.80
MOP	MT	98278.050	19780.37	86497.840	23198.17
Pesticides	Ltr	2221052.510	19289.73	2383708.725	16250.71
Pesticides	KG	15587576.380		16164994.060	

Products	Unit	2010-11		2009-10	
		Quantity	Value (Rs. in Lacs)	Quantity	Value (Rs. in Lacs)
Seeds	MT	24388.380	4389.64	19673.978	2982.61
SSP	MT	72311.850	2316.03	697.000	30.89
Zinc	MT	9282.410	2552.18	8891.960	2131.86
Micro Nutrient	MT	11289.220	2813.62	9049.970	2099.38
Organic Fertilisers	MT	-	-	450.000	10.80
Gypsum	MT	30201.500	575.81	23479.400	405.53
Cattle Feed	MT	-	-	783.700	49.81
Complex Fertiliser	MT	277.290	200.21	243.950	183.33
			160686.55		76108.89
<b>Closing Stock</b>					
DAP	MT	1183.381	126.87	14.636	0.53
MOP	MT	15833.174	2804.28	4.674	0.49
Pesticides	Ltr	439573.250	3253.37	671162.475	2704.12
Pesticides	KG	903940.420		548193.800	
Seeds	MT	1171.708	230.90	911.730	256.91
Zinc	MT	30.150	9.35	17.525	2.63
Micro Nutrient	MT	2758.090	423.02	4965.948	681.80
Complex Fertiliser	MT	54.275	30.35	186.785	103.75
			6878.14		3750.23

Note: Difference in quantity tally represents shortages/damages etc.

e) Stores and spares consumed - indigenous & imported:

Particulars	2010-11		2009-10	
	Amount (Rs. in Lacs)	%	Amount (Rs. in Lacs)	%
Indigenous	3582.50	89.29	2777.76	95.05
Imported	429.77	10.71	144.61	4.95
<b>Total</b>	<b>4012.27</b>	<b>100.00</b>	<b>2922.37</b>	<b>100.00</b>

Note: The stores and spares consumption excludes consumption of spares amounting to Rs.778.63 lacs (Previous Year Rs.775.70 lacs) pertaining to Shipping Division of the Company (refer note no 18(j) below)

f) CIF value of imports

(Rs. in Lacs)

Particulars	2010-11	2009-10
Capital Goods	3191.37	1214.23
Stores and Spares	815.20	223.01
Traded Products	112482.06	41577.89
<b>Total</b>	<b>116488.63</b>	<b>43015.13</b>

g) Expenditure in foreign currency (on accrual basis)

(Rs. in Lacs)

Particulars	2010-11	2009-10
Design, Engineering and Supervision fee	825.19	428.40
Travelling	35.97	47.38
Interest	1532.34	595.97
Others	171.10	313.73
<b>Total</b>	<b>2564.60</b>	<b>1385.48</b>

#### h) Earnings in foreign exchange (on accrual basis)

(Rs. in Lacs)

Particulars	2010-11	2009-10
FOB value of exports	11941.66	25413.84
Dispatch money	76.91	20.44
Dividend income	1094.21	-
Interest	121.87	36.04
Rebate on purchases related to earlier years (On Cash basis).	465.57	215.19
<b>Total</b>	<b>13700.22</b>	<b>25685.51</b>

#### i) Net dividend remitted in foreign currency

(Rs. in Lacs)

Particulars	2010-11	2009-10
Number of Non Resident shareholders	311	326
Number of Shares held by them	12070750	12282650
Dividend paid (Rs. in Lacs)	229.34	221.08
Year to which dividend relates	2009-10	2008-09

#### j) Shipping activity:

Shipping activities are not capable of being expressed in generic units. Hence quantitative details and related information required to be given under paragraphs 3 and 4C of part II of Schedule VI of the Companies Act, 1956 are not applicable to this business. Further, the Ministry of Corporate Affairs, Government of India, has exempted the shipping companies from the disclosure of quantitative details in respect of financial year ending on or after 31st March, 2011 in compliance of paragraphs 4 D (a) (b) (c) & (e) of part II of Schedule VI to the Companies Act 1956 as amended, vide Notification dated the 8th February, 2011.

20. Previous Year's figures have been regrouped and/or rearranged wherever necessary to confirm to this year's classifications.

As per our report of even date

For S.R. BATLIBOI & Co.  
Firm's Registration No. 301003E  
Chartered Accountants

per Manoj Gupta  
Partner  
Membership No - 83906

Place: Gurgaon  
Date: May 10, 2011

For and on behalf of the Board of Directors of  
Chambal Fertilisers and Chemicals Limited

Anil Kapoor  
Managing Director

Abhay Baijal  
Vice President - Finance

Place: New Delhi  
Date: May 10, 2011

H.S. Bawa  
Vice Chairman

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

S.K. Poddar  
Chairman

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration No.	L24124RJ1985PLC003293
State Code	17
Balance Sheet Date	31.03.2011
	(Rs.in '000)
II. Capital raised during the year	
Public Issue	NIL
Right Shares	NIL
Bonus Shares	NIL
Private Placement	NIL
III. Position of Mobilisation and Deployment of funds	
Total Liabilities	43082154
Total Assets	43082154
Sources of Funds	
Paid up Capital	4162079
Reserve & Surplus	12071198
Secured Loan	14453420
Unsecured Loan	10383542
Deferred Tax Liability (Net)	2011915
Application of funds	
Net Fixed Assets (including CWIP)	27415557
Investment	4005601
Net Current Assets	11635841
Misc. Expenditure	25155
IV. Performance of the Company	
Turnover (including other income)	47482089
Total Expenditure	43117800
Profit before exceptional item and tax	4364289
Exceptional Item	43687
Profit before tax	4407976
Profit after tax	3251785
Earning per Equity Share in Rs.	7.81
Dividend rate percentage:	
Equity Shares	19%
Preference Shares	NIL

V. Generic Names of the Principal Products of the Company

<u>Item Code No.</u>	<u>Product Description</u>
31021000	Urea
31053000	DAP
5509-21	100% Polyester Yarn
5509-50	Polyester Viscose Yarn
52052190	Cotton Yarn
N.A	Shipping



Financial Performance of Subsidiaries during the Period April 1, 2010 to March 31, 2011

(Amt. In Rs. Lacs)

	Financial year ending of the Subsidiary	Share Capital	Reserves	Total Assets	Total Liabilities	Details of Investment (Other than subsidiaries)	Turnover	Profit/ (Loss) before Taxation	Provision for Taxation	Profit/ (Loss) after taxation	Proposed Dividend	The Exchange rates used for conversion of figures from foreign currency to Indian rupees are as under	Balance Sheet	
													Profit & Loss Account	Profit & Loss Account
1.	CFCL Overseas Limited, Cayman Islands	31.03.2011	31439.06	(190.70)	35792.27	35792.27	-	(219.52)	-	(219.52)	-	US\$=Rs.44.60	US\$=Rs.44.60	
2.	CFCL Technologies Limited, Cayman Islands	31.12.2010	0.53	48495.76	56827.31	56827.31	-	(317.50)	-	(317.50)	-	US\$=Rs.44.71	US\$=Rs.44.71	
3.	ISGN Corporation, USA	31.12.2010	26.33	25742.56	48924.54	48924.54	-	6938.41	149.51	(4346.29)	-	US\$=Rs.44.71	US\$=Rs.44.71	
4.	ISGN Solutions Inc., USA	31.12.2010	32.59	19926.20	23230.95	23230.95	-	8193.71	3.99	(2712.83)	-	US\$=Rs.44.71	US\$=Rs.44.71	
5.	NITC, GmbH (formerly known as Novasoft Information Technology Corporation GmbH, Germany)	31.12.2010	14.98	(15.09)	13.03	13.03	-	-	-	-	-	EURO=Rs.59.91	EURO=Rs.59.91	
6.	Flex Agents Signing Team LLC, USA	31.12.2010	0.45	(455.21)	6.05	6.05	-	112.49	(16.54)	(16.54)	-	US\$=Rs.44.71	US\$=Rs.44.71	
7.	Richmond Investors LLC, USA	31.12.2010	956.08	(780.21)	175.87	175.87	-	(56.42)	-	(56.42)	-	US\$=Rs.44.71	US\$=Rs.44.71	
8.	Richmond Title Genpar LLC, USA	31.12.2010	9.66	4.24	13.90	13.90	-	(0.57)	-	(0.57)	-	US\$=Rs.44.71	US\$=Rs.44.71	
9.	Richmond Title Services LP, USA	31.12.2010	965.74	(775.99)	8256.07	8256.07	-	3016.70	(4.47)	(56.99)	-	US\$=Rs.44.71	US\$=Rs.44.71	
10.	Richmond Title services LLC, USA#	31.12.2010	-	-	-	-	-	-	-	-	-	-	-	
11.	CFCL Ventures Limited, Cayman Islands	31.12.2010	22.36	3712.64	3740.88	3740.88	-	-	-	-	-	US\$=Rs.44.71	US\$=Rs.44.71	
12.	ISG Novasoft Technologies Limited, India	31.12.2010	3623.07	(1159.10)	3883.04	3883.04	-	8911.53	136.26	1022.21	-	-	-	
13.	Inuva Info Management Private Limited, India	31.12.2010	2.38	42.22	45.29	45.29	-	(50.58)	-	(50.58)	-	-	-	
14.	Chambal Infrastructure Ventures Limited, India	31.03.2011	140.00	(114.96)	659.20	659.20	-	(0.93)	-	(0.93)	-	-	-	
15.	Chambal Energy (Chhatisgarh) Limited, India	31.03.2011	5.00	(10.52)	257.59	257.59	-	(0.51)	-	(0.51)	-	-	-	
16.	Chambal Energy (Orissa) Limited, India	31.03.2011	5.00	(21.90)	93.53	93.53	-	(4.53)	-	(4.53)	-	-	-	
17.	India Steamship Pte. Limited, Singapore	31.03.2011	312.20	1689.40	2441.11	2441.11	-	3233.58	(197.90)	(197.90)	-	US\$=Rs.44.60	US\$=Rs.45.571	
18.	ISGN Fulfillment Services, Inc., USA (Pennsylvania) (Formerly known as Fiserv Fulfillment Services, Inc., USA (Pennsylvania))	31.12.2010	0.00	(2857.44)	13409.48	13409.48	5.85	41004.65	21.47	(5339.13)	-	US\$=Rs.44.71	US\$=Rs.44.71	
19.	ISGN Fulfillment Services, Inc. USA (Arizona) (Formerly known as Fiserv Fulfillment Services, Inc. USA (Arizona)#	31.12.2010	-	-	-	-	-	-	-	-	-	-	-	
20.	ISGN Fulfillment Services, South Inc, USA (Formerly known as Fiserv Fulfillment Services, South Inc., USA)#	31.12.2010	-	-	-	-	-	-	-	-	-	-	-	
21.	ISGN Fulfillment Services of Alabama LLC, USA (Formerly known as Fiserv Fulfillment Services of Alabama LLC, USA)#	31.12.2010	-	-	-	-	-	-	-	-	-	-	-	
22.	ISGN Fulfillment Services of Maryland, Inc.,USA (Formerly known as Fiserv Fulfillment Services of Maryland, Inc.,USA)#	31.12.2010	-	-	-	-	-	-	-	-	-	-	-	
23.	ILS Services LLC, USA#	31.12.2010	-	-	-	-	-	-	-	-	-	-	-	
24.	ISGN Fulfillment Agency LLC, USA (Formerly known as Fiserv Fulfillment Agency LLC, USA)#	31.12.2010	-	-	-	-	-	-	-	-	-	-	-	
25.	ISGN Fulfillment Agency of Alabama LLC, USA (Formerly known as Fiserv Fulfillment Agency of Alabama LLC, USA)#	31.12.2010	-	-	-	-	-	-	-	-	-	-	-	

# These entities being license companies, there are no assets & liabilities and no financial transactions were carried out during the financial year.

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## Auditor's Report to the Board of Directors of Chambal Fertilisers and Chemicals Limited on the Consolidated Financial Statements.

1. We have audited the attached Consolidated Balance Sheet of Chambal Fertilisers and Chemicals Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group'), as at March 31, 2011, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, joint venture and Shipping Division whose financial statements reflect the Group's share of total assets of Rs. 194417.79 Lacs (Previous year Rs. 208209.61 Lacs) as at March 31, 2011, total revenue of Rs. 132760.06 Lacs (Previous year Rs. 83648.14 Lacs) and cash inflows amounting to Rs. 18129.05 Lacs (Cash outflows in Previous year Rs. 13135.31 Lacs) for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended).

4. Without qualifying our opinion, we draw attention to note B (1) of Schedule 26 to the financial statement which indicates that one of its step-down subsidiary, CFCL Technologies Limited and its subsidiaries have incurred loss of Rs. 12012.82 lacs during the year (ending on December 31, 2010) and is dependent upon liquidity support on continuous basis from its shareholders. CFCL Technologies Limited and its subsidiaries plan to manage the liquidity during the year 2011 through capital infusion by the existing shareholders and cost optimization. Further, CFCL Technologies Limited and its subsidiaries had laid out a plan to turn EBIDTA positive in the year 2011 and the same is pursued currently. Accordingly the financial statement of CFCL Technologies Limited and its subsidiaries has been prepared on going concern basis. This matter has been addressed by the auditor of CFCL Technologies Limited in their audit opinion for the year ending December 31, 2010.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
  - (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For S.R. BATLIBOI & Co.  
Firm's Registration No. 301003E  
Chartered Accountants

per Manoj Gupta  
Partner  
Membership No.: 83906

Place: Gurgaon  
Date: May 10, 2011

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

(Rs. in Lacs)

Particulars	Schedule	As at March 31, 2011	As at March 31, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	41620.79	41620.79
Stock Options Outstanding (Refer note no. 14 of Schedule 26 C)		382.41	242.49
Reserves and surplus	2	115602.95	101721.41
		<u>157606.15</u>	<u>143584.69</u>
<b>Loan Funds</b>			
Secured loans	3	150932.60	202011.91
Unsecured loans	4	107100.80	72108.40
		<u>258033.40</u>	<u>274120.31</u>
<b>Preference Shares (Held by other than Group)</b> (Refer note no. 15 (b) & (c) of Schedule 26 C)		0.16	0.13
<b>Minority Interest</b>		4524.25	4782.78
<b>Deferred Tax Liabilities (Net)</b>	5	20119.15	24550.02
<b>Total</b>		<u>440283.11</u>	<u>447037.93</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	6	542542.37	546937.52
Less : Accumulated depreciation		267868.53	245804.36
Net block		274673.84	301133.16
Capital work in progress including capital advances		7308.85	4884.95
		<u>281982.69</u>	<u>306018.11</u>
<b>Intangible Assets</b>	7	29368.65	32896.70
<b>Investments</b>	8	8.37	6305.62
<b>Deferred Tax Assets (Refer note no. 18 of Schedule 26 C)</b>		73.19	-
<b>Current Assets, Loans and Advances :</b>			
Inventories	9	42420.07	27864.36
Sundry debtors	10	69419.42	65145.91
Cash and bank balances	11	61644.54	20187.85
Other current assets	12	19892.34	34939.32
Loans and advances	13	13869.10	19260.23
		<u>207245.47</u>	<u>167397.67</u>
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	14	60411.72	47894.11
Provisions	15	17983.54	17686.06
		<u>78395.26</u>	<u>65580.17</u>
<b>Net Current Assets</b>		<u>128850.21</u>	<u>101817.50</u>
<b>Total</b>		<u>440283.11</u>	<u>447037.93</u>
<b>Notes to Accounts</b>	26		

The schedules referred to above and notes to consolidated accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date

 For and on behalf of the Board of Directors of  
Chambal Fertilisers and Chemicals Limited

 For S.R. BATLIBOI & Co.  
Firm's Registration No. 301003E  
Chartered Accountants

 Anil Kapoor  
Managing Director

 H.S. Bawa  
Vice Chairman

 S.K. Poddar  
Chairman

 per Manoj Gupta  
Partner  
Membership No - 83906

 Abhay Baijal  
Vice President - Finance

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

 Place: Gurgaon  
Date: May 10, 2011

 Place: New Delhi  
Date: May 10, 2011

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rs. in Lacs)

Particulars	Schedule	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>INCOME</b>			
Turnover (Gross)	17	568136.67	412924.12
Less : Excise duty		<u>341.67</u>	<u>189.77</u>
Turnover (Net)		567795.00	412734.35
Other income	18	<u>10036.50</u>	<u>6732.99</u>
<b>Total</b>		<u><u>577831.50</u></u>	<u><u>419467.34</u></u>
<b>EXPENDITURE</b>			
Purchase of trading goods		143397.97	59987.27
Raw material consumed	19	145934.35	124021.36
Personnel expenses	20	35619.82	19908.48
Decrease/ (increase) in inventories	21	(10313.46)	9612.03
Operating and other expenses	22	179342.51	127160.37
Freight to charter-in ship		4801.39	4804.09
Depreciation / Amortization	6 & 7	32287.42	31892.14
Financial expenses	23	12711.89	9711.83
Goodwill on consolidation written off		-	441.78
Deferred revenue expenditure written off	16	-	<u>59.28</u>
<b>Total</b>		<u><u>543781.89</u></u>	<u><u>387598.63</u></u>
<b>Profit Before Exceptional Items and Tax</b>		<u>34049.61</u>	<u>31868.71</u>
Exceptional items	24	<u>278.87</u>	<u>278.87</u>
<b>Profit After Exceptional Items and Before Tax</b>		<u><u>34328.48</u></u>	<u><u>32147.58</u></u>
<b>Provision for Tax</b>			
Current tax		17114.12	13403.30
Deferred tax charge / (credit)		(4504.06)	(2049.42)
Tonnage tax in Shipping Business		<u>71.98</u>	<u>63.28</u>
Total tax expense/ (income)		<u><u>12682.04</u></u>	<u><u>11417.16</u></u>
<b>Net profit after tax for the year</b>		<u>21646.44</u>	<u>20730.42</u>
Share in Profit / (Loss) of Associate		-	2.27
Share of Minority Interest in current year losses / (profit)		<u>2412.68</u>	<u>990.19</u>
<b>Net profit after tax (after adjustment for Minority Interest &amp; Associate)</b>		<u>24059.12</u>	<u>21722.88</u>
Transferred from Debenture Redemption Reserve		312.50	312.50
Balance brought forward from previous year		65631.25	52168.93
Share of Minority Interest in opening losses		-	<u>3777.59</u>
<b>Profit available for appropriation</b>		<u><u>90002.87</u></u>	<u><u>77981.90</u></u>
<b>Appropriations :</b>			
Transfer to General Reserve		3532.21	2754.26
Transfer to Tonnage Tax Reserve		50.00	375.00
Proposed Dividend on Equity Shares		7907.95	7907.95
Tax on Dividend		<u>1282.87</u>	<u>1313.44</u>
<b>Surplus carried to Balance Sheet</b>		<u><u>77229.84</u></u>	<u><u>65631.25</u></u>
Basic and Diluted Earnings Per Share (In Rs.)	25	5.78	5.22
Nominal Value of Shares (In Rs.)		10.00	10.00
<b>Notes to Accounts</b>	26		

The schedules referred to above and the consolidated notes to accounts form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date

For and on behalf of the Board of Directors of  
Chambal Fertilisers and Chemicals Limited

For S.R. BATLIBOI & Co.  
Firm's Registration No. 301003E  
Chartered Accountants

Anil Kapoor  
Managing Director

H.S. Bawa  
Vice Chairman

S.K. Poddar  
Chairman

per Manoj Gupta  
Partner  
Membership No - 83906

Abhay Baijal  
Vice President - Finance

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

Place: Gurgaon  
Date: May 10, 2011

Place: New Delhi  
Date: May 10, 2011

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

(Rs. in Lacs)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
<b>A. Cash flow from operating activities:</b>		
Profit after exceptional items and before tax.	34328.48	32147.58
Adjustments for:		
Depreciation/ Amortisation	32287.42	31892.14
(Profit) /Loss on sale of fixed assets	(384.78)	(114.59)
Fixed assets written off	689.90	119.52
Diminution in value of Fertilisers Bond	100.00	1400.00
Profit from sale of Investment	(278.87)	(278.87)
Goodwill written off	-	441.78
Premium on forward contracts amortised	3747.65	1081.03
Unrealised foreign exchange fluctuataion	50.41	(664.92)
Provision for loss on derivative transaction	824.70	1405.07
Miscellaneous expenditure written off	-	59.28
Provision for doubtful deposits/ advances	440.64	404.80
Liabilities no longer required written back	(716.80)	(600.31)
Catalyst charges written off	272.33	182.96
Doubtful debts/ advances written off	464.45	40.32
Employee stock option scheme	139.92	3.62
Inventory written off	344.29	86.52
Interest expense	11368.02	8881.13
Interest income	(4255.77)	(3531.62)
Dividend income	(79.39)	(439.37)
<b>Operating profit before working capital changes</b>	<b>79342.60</b>	<b>72516.07</b>
Movement in working capital:		
Decrease / (Increase) in sundry debtors	(4714.15)	3121.72
Decrease / (Increase) in other current assets	14801.76	494.40
Decrease / (Increase) in loans and advance	5926.68	5396.17
Decrease / (Increase) in inventories	(15172.33)	9773.39
Increase / (Decrease) in current liabilities and provisions	94.34	(102873.25)
<b>Cash generated from operations</b>	<b>80278.90</b>	<b>(11571.50)</b>
Direct taxes paid (net of refunds)	(17241.59)	(11178.24)
<b>Net cash flow from / (used in) operating activities</b>	<b>63037.31</b>	<b>(22749.74)</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(10979.62)	(45739.64)
Proceed from sale of fixed assets	741.01	1103.82
Inter Corporate deposits given - repaid	1650.00	-
Inter Corporate deposits given	(2650.00)	(840.00)
Deposits (with maturity more than three months)	(3032.00)	(525.00)
Proceed of deposits matured (with maturity more than three months)	525.00	10500.00
Purchase of investments	(117882.58)	(96444.97)
Proceed from sale of investments	124458.68	122346.49
Interest received	4401.01	3713.13
Dividend received	79.39	439.37
<b>Net cash flow (used in) investing activities</b>	<b>(2689.11)</b>	<b>(5446.80)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from long term borrowings	-	27880.17
Repayment of long term borrowings	(25555.58)	(25827.55)
Proceeds from issue of Preference Shares (including share premium)	1576.93	5663.83
Net proceeds of short term borrowings	11060.36	32562.89
Interest paid	(10803.16)	(9095.91)
Dividend paid	(7842.24)	(7438.57)
Tax on dividend paid	(1313.44)	(1273.22)
<b>Net cash from / (used in) financing activities</b>	<b>(32877.13)</b>	<b>22471.64</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>27471.07</b>	<b>(5724.90)</b>
Foreign Currency Translation difference	1273.38	(324.18)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>16048.58</b>	<b>22097.66</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>44793.03</b>	<b>16048.58</b>
<b>Components of cash and cash equivalents as at</b>		
Cash and cheques on hand	35.01	74.79
Balances with banks:		
- on unpaid dividend account	841.61	778.10
- on current account	8283.28	3363.40
- on cash credit account	16386.82	5.53
- on saving account	0.43	0.39
- on deposits account	3046.19	8036.15
- on overseas account	19231.69	4315.22
- on escrow account	13819.51	3614.27
Cash and bank balance as per schedule no.11	61644.54	20187.85
Less: Fixed deposits not considered as cash equivalents	3032.00	525.00
Less: Escrow account balance not considered as cash equivalents	13819.51	3614.27
<b>Net cash and cash equivalents</b>	<b>44793.03</b>	<b>16048.58</b>

Note:

Bank balances of Rs.841.61 lacs (Previous Year Rs.778.10 lacs) is earmarked for payment of unpaid dividend and will not be available for use for any other purposes.

As per our report of even date

 For and on behalf of the Board of Directors of  
Chambal Fertilisers and Chemicals Limited

 For S.R. BATLIBOI & Co.  
Firm's Registration No. 301003E  
Chartered Accountants

 Anil Kapoor  
Managing Director

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Partner  
Membership No - 83906

 Abhay Bajjal  
Vice President - Finance

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

 Place: Gurgaon  
Date: May 10, 2011

 Place: New Delhi  
Date: May 10, 2011

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
440,000,000 (Previous Year 440,000,000) Equity Shares of Rs.10/- each	44000.00	44000.00
210,000,000 (Previous Year 210,000,000) Redeemable Preference Shares of Rs.10/- each	<u>21000.00</u>	<u>21000.00</u>
	<u>65000.00</u>	<u>65000.00</u>
<b>Issued, Subscribed and Paid Up :</b>		
416,207,852 (Previous Year 416,207,852 ) Equity Shares of Rs.10/- each, fully paid up	<u>41620.79</u>	<u>41620.79</u>
	<u>41620.79</u>	<u>41620.79</u>
Of the above, 10,207,852 (Previous Year 10,207,852) equity shares of Rs.10/- each have been allotted for consideration other than cash, pursuant to the scheme of amalgamation of erstwhile India Steamship Company Limited.		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
Capital Reserve (arising on forfeiture of shares)	20.95	20.95
Securities Premium Account		
Balance as per last account	7774.20	11621.91
Additions during the year (Refer Note No.15(b) of Schedule 26 C)	3919.46	5663.81
Share of Minority interest	<u>(2342.56)</u>	<u>(9511.52)</u>
	<u>9351.10</u>	<u>7774.20</u>
Capital Redemption Reserve	25.00	25.00
Foreign Currency Translation Reserve		
Balance as per last account	6932.26	4082.06
Adjustments during the year	<u>(2563.66)</u>	<u>2850.20</u>
	<u>4368.60</u>	<u>6932.26</u>
Debenture Redemption Reserve		
Balance as per last account	312.50	625.00
Less: Transferred to Profit and Loss Account	<u>312.50</u>	<u>312.50</u>
	<u>-</u>	<u>312.50</u>
General Reserve		
Balance as per last account	16800.25	14062.37
Add: Transferred from Profit and Loss Account	3532.21	2754.26
Less: Share of Minority interest	<u>-</u>	<u>16.38</u>
	<u>20332.46</u>	<u>16800.25</u>
Tonnage Tax Reserve under section 115 VT of Income Tax Act,1961		
Balance as per last account	375.00	3963.29
Less: Amalgamation adjustment account	-	113.29
Add: Transferred from Profit and Loss Account	50.00	375.00
Less: Transferred to Tonnage Tax Reserve (utilised) account	<u>-</u>	<u>3850.00</u>
	<u>425.00</u>	<u>375.00</u>
Tonnage Tax Reserve under section 115 VT of Income Tax Act,1961(Utilised) Account		
Balance as per last account	3850.00	-
Add: Transfer from Tonnage Tax Reserve under section 115 VT of Income Tax Act,1961	<u>-</u>	<u>3850.00</u>
	<u>3850.00</u>	<u>3850.00</u>
Profit and Loss Account	<u>77229.84</u>	<u>65631.25</u>
	<u>115602.95</u>	<u>101721.41</u>
<b>SCHEDULE 3: SECURED LOANS</b>		
Debentures	-	1250.00
Nil (Previous Year 500) 7.90% Secured Redeemable Non-convertible Debentures of Rs.1,000,000 each.		
Term loans from banks		
- Rupee term loans	16956.00	28046.49
- Foreign currency term loans	126754.93	140257.14
Term loans from others	149.19	305.74
Short term loan from banks	-	28000.00
Loans and advances from banks		
- Cash credit facilities	525.28	1527.42
Line of credit from others	6188.24	1923.01
Finance lease obligation	<u>358.96</u>	<u>702.11</u>
	<u>150932.60</u>	<u>202011.91</u>

**Notes:**

- 7.90% Secured redeemable non-convertible debentures were fully redeemed during the year. These debentures were secured by first pari passu charge by way of mortgage by deposit of title deeds in respect of immovable properties and hypothecation of the movable fixed assets of the Company, both present and future (save and except assets of shipping division) subject to prior charges created/ to be created in favour of banks on current assets and other movables for securing working capital borrowings.
- Rupee term loans of Rs.16956.00 lacs (Previous Year Rs.28046.49 lacs) and foreign currency term loans of Rs.32668.90 lacs (Previous Year Rs.36276.77 lacs) from banks are secured by first pari-passu charge by way of mortgage, by deposit of title deeds in respect of immovable properties and hypothecation of the movable fixed assets of the Company, both present and future (save and except assets of shipping division), subject to prior charges created/ to be created in favour of banks on current assets and other movables for securing working capital borrowings.
- Foreign currency term loan of Rs.17840.00 lacs (Previous Year Rs.19756.00 lacs) from bank is secured by first priority mortgage on the Company's vessel i.e. M.T. Ratna Puja and assignment of earnings, insurance and requisition compensation in respect of such vessel.
- Foreign currency term loan of Rs.23638.00 lacs (Previous Year Rs.25593.00 lacs) from a bank is secured by first priority mortgage on the Company's vessel i.e. Ratna Shalini and assignment of earnings, insurance and requisition compensation in respect of such vessel and second priority mortgage on the Company's vessel i.e. Ratna Puja and assignment of earnings, insurance and requisition compensation in respect of such vessel.
- Foreign currency term loan of Rs.52608.03 lacs (Previous Year Rs.58631.37 lacs) from banks is secured by first priority mortgage on the Company's three vessels i.e. Ratna Shruti, Ratna Shradha and Ratna Namrata and assignment of earnings, insurance and requisition compensation in respect of such vessels.
- Short Term Loan of Rs.Nil (Previous Year Rs.28000.00 lacs) from a bank was to be secured by pledge of Government of India Fertiliser Bonds issued to the Company.
- In case of subsidiaries Term loan from others of Rs.149.19 lacs (Previous Year Rs.305.74 lacs) and Line of credit of Rs.6188.24 lacs (Previous Year Rs.1923.01 lacs) are secured by way of a) first priority continuing security interest in and lien upon all current assets, tangible and intangible assets including intellectual property of ISGN Solutions Inc and ISGN Corporation b) the pledge of share certificates of ISGN Solutions Inc and all its dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such pledged shares.  
The group has also entered into a warrant agreement with Triple Point Capital (TPC) which provides for warrant coverage of US\$ 100,000 (Rs.44.71 lacs) for the equipment loans and US\$ 1,000,000 (Rs.447.10 lacs) for the line of credit facilities. These have conversion options of 10,882 series B preference shares for the equipments loans and 43,529 series B preference shares at a conversion price of US\$ 9.1892 per share as well as 47,213 series C preference shares at a conversion price of US \$ 12.7083 per share for the line of credit facility. The conversion price can be lower based on conditions as outlined in the warrant agreements, the number of ordinary shares to be issued will vary and final outcome would be determined at the time of exercise of the option.
- Finance lease obligation of Rs.358.96 lacs (Previous Year Rs.702.11 lacs) is secured by assets acquired under the facility.
- Cash credit loans from banks are secured by hypothecation of all the Company's current assets including all stocks and book debts (including subsidy support) and other movables, both present & future (except assets of shipping division). These loans are further secured / to be secured by second charge on all the immovable properties (except assets of shipping division) of the Company.
- Secured loans (other than cash credit facilities & short term loan from banks and finance lease obligations) includes Rs.20460.52 lacs (Previous Year Rs.27386.52 lacs) repayable within one year.

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 4: UNSECURED LOANS</b>		
Fixed deposits	5.72	38.67
{Due within one year Rs.5.72 lacs (Previous year Rs.32.65 lacs)}		
Commercial Papers (Short term)	-	10000.00
{Maximum amount raised at any time during the year Rs.20,000.00 lacs (Previous year Rs.10,000.00 lacs)}		
Short term loans from banks		
- Short term rupee loans	20000.00	23000.00
- Short term foreign currency loans	79785.23	26408.50
- Short term packing credit foreign currency loan	4044.47	2541.97
Convertible Notes		
- Interest bearing (Refer Note No.17 (a) of Schedule 26 C)	1845.15	3841.77
- Non-interest bearing (Refer Note No.17 (b) of Schedule 26 C)	1406.13	1463.84
Non-Convertible Notes		
- Interest bearing (Refer Note No.17 (c) of Schedule 26 C)	-	4654.50
Other Financial Debts	14.10	159.15
	<u>107100.80</u>	<u>72108.40</u>

**SCHEDULE 5: DEFERRED TAX LIABILITY (NET)**

<b>Deferred Tax Liabilities</b>		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	21663.82	26684.60
<b>Gross Deferred Tax Liabilities</b>	<u>21663.82</u>	<u>26684.60</u>
<b>Deferred Tax Assets</b>		
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	308.77	64.52
Provision for gratuity	48.46	245.91
Provision for leave encashment	304.46	282.34
Provision for diminution in the value of fertiliser bonds	699.19	1430.98
Others	183.79	110.83
<b>Gross Deferred Tax Assets</b>	<u>1544.67</u>	<u>2134.58</u>
<b>Net Deferred Tax Liability</b>	<u>20119.15</u>	<u>24550.02</u>

**SCHEDULE 6: FIXED ASSETS**

(Rs. in Lacs)

S.No	Particulars	Gross Block				Depreciation				Net Block			
		As at April 1, 2010	Additions during the year	Adjustments during the year	Deletion due to disposal of subsidiary	Forex Translation Adjustment	As at March 31, 2011	As at April 1, 2010	For the year	Adjustments during the year	Due to disposal of subsidiary	As at March 31, 2011	As at March 31, 2010
1.	Land - Freehold	325.59	-	-	-	-	325.59	-	-	-	126.31	325.59	325.59
2.	Land - Leasehold	587.28	-	-	-	-	587.28	5.94	-	-	126.31	460.97	466.91
3.	Buildings	21554.11	22.49	(4.60)	-	(352.62)	21219.38	552.29	(1.06)	-	7376.78	13842.60	14550.68
4.	Leasehold Improvements	1417.14	109.85	(240.14)	-	(44.89)	1241.96	246.27	(44.99)	-	1118.61	123.35	465.67
5.	Leasehold Improvements (on finance lease)	487.63	12.05	-	-	-	499.68	-	-	-	17.56	482.12	470.07
6.	Railway Siding	2205.11	-	-	-	-	2205.11	104.74	-	-	1492.20	712.91	817.65
7.	Plant & Machinery	335831.69	4073.30	(4332.44)	-	(2941.83)	332630.72	17614.34	(2911.45)	-	218994.33	113636.40	128834.11
8.	Equipment & Appliances	11394.03	780.31	(394.06)	-	(332.01)	11448.27	1136.44	(341.36)	-	8834.88	2613.39	3076.27
9.	Furniture & Fixings	1766.34	28.75	(46.77)	-	(8.45)	1739.87	156.54	(48.35)	-	1384.26	355.61	476.13
10.	Vehicles	518.32	294.48	(66.79)	-	(2.60)	743.41	66.43	(35.09)	-	237.69	505.72	307.62
11.	Vehicles (on Finance Lease)	323.80	-	(152.15)	-	0.01	171.66	50.75	(131.28)	-	155.89	15.77	87.39
12.	Ships	170526.48	137.60	(934.65)	-	-	169729.43	8858.60	-	-	28130.02	141599.41	151255.06
	<b>Capital Total</b>	<b>546937.52</b>	<b>5458.83</b>	<b>(6171.60)</b>	<b>-</b>	<b>(3682.39)</b>	<b>542542.36</b>	<b>28792.34</b>	<b>(3513.58)</b>	<b>-</b>	<b>267868.53</b>	<b>274673.84</b>	<b>301133.15</b>
	<b>Progress</b>												
	<b>Previous Year</b>	<b>510193.06</b>	<b>7198.97</b>	<b>49285.96</b>	<b>(17608.98)</b>	<b>(2131.49)</b>	<b>546937.52</b>	<b>213636.10</b>	<b>5857.56</b>	<b>28873.20</b>	<b>(826.51)</b>	<b>245804.36</b>	<b>301133.16</b>

**Notes :-**

- Freehold Land includes Rs 0.81 Lacs (Previous Year Rs.0.81 lacs), which is yet to be transferred in the Company's name.
- Gross Block and Accumulated Depreciation of Buildings includes Rs.0.71 lacs (Previous Year Rs.0.71 lacs) and Rs.0.56 lacs (Previous Year Rs.0.56 lacs) respectively represent undivided share in assets jointly owned with others.
- Adjustment to Plant & Machinery include Rs.168.07 lacs (Addition to Plant & Machinery in previous year Rs.1583.91 lacs) and adjustment to ships include Rs.934.65 lacs (Addition to Ships in previous year Rs.14846.11 lacs) being variations in rupee liability in respect of foreign currency.
- Capital Work in Progress includes Capital Advances of Rs.628.87 lacs (Previous Year Rs.1721.77 Lacs).
- Additions include preoperative expenses amounting Rs.Nil (Previous Year Rs.2462.79 lacs) (Refer note no. 6 of Schedule 26C).
- Additions to capital work in progress includes preoperative expenses of subsidiaries amounting Rs.341.14 lacs (Previous Year Rs.339.94 lacs) (Refer Note no. 6 of Schedule 26 C).

**SCHEDULE 7: INTANGIBLE ASSETS**

(Rs. in Lacs)

S.No	Particulars	Gross Block				Amortisation				Net Block			
		As at April 1, 2010	Additions during the year	Adjustments during the year	Deletion due to disposal of subsidiary	Forex Translation Adjustment	As at March 31, 2011	As at April 1, 2010	For the year	Adjustments during the year	Due to disposal of subsidiary	As at March 31, 2011	As at March 31, 2010
1.	Patents & Trade Marks	88.72	-	(88.72)	-	-	62.02	-	(62.02)	-	(-)	-	26.70
2.	Intellectual Property Rights	2032.78	-	-	-	(80.13)	1952.65	-	-	-	1952.65	-	-
3.	Software	6906.24	1479.56	-	-	(260.85)	8124.95	1812.50	(36.50)	-	5820.34	2304.61	2722.21
4.	Goodwill	14833.04	114.50	(855.58)	-	(568.08)	13523.88	1682.58	(37.89)	-	2878.21	10645.67	13548.90
5.	Goodwill on consolidation	16598.89	470.34	-	-	(650.86)	16418.37	-	-	-	-	16418.37	16598.89
	<b>Total</b>	<b>40459.67</b>	<b>2064.40</b>	<b>(944.30)</b>	<b>-</b>	<b>(1559.92)</b>	<b>40019.85</b>	<b>3495.08</b>	<b>(62.02)</b>	<b>-</b>	<b>10651.20</b>	<b>29368.65</b>	<b>32896.70</b>
	<b>Previous Year</b>	<b>26530.12</b>	<b>11379.56</b>	<b>1050.22</b>	<b>(820.27)</b>	<b>2306.34</b>	<b>40459.67</b>	<b>5359.64</b>	<b>391.52</b>	<b>(1182.21)</b>	<b>7562.97</b>	<b>32896.70</b>	<b>21170.48</b>

**Notes:**

- For Goodwill on Consolidation, refer Note No 10 & 13 of Schedule 26 C.
- For adjustment in Goodwill, refer Note No. 17 (a) of schedule 26 C.

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 8: INVESTMENTS</b>		
<b>Long Term Investments (At Cost):</b>		
<b>A. Trade (Unquoted)</b>		
- Nil (Previous Year 6,240,962) equity shares of Rs.10 each fully paid up in Zuari Investments Limited.	-	624.10
Add: Share in accumulated profits upto previous year	-	313.72
Share in profit for current year upto the date of sale	-	2.27
Less: Share in accumulated profits due to sale of 6,240,962 equity shares up to the date of sale (6,240,962 equity shares of Rs. 624.10 lacs sold during the year)	-	(157.98)
<b>B. Other than trade</b>		
<b>Unquoted</b>		
- 20,000 (Previous Year 20,000) equity shares of Rs.10 each fully paid up in Shivalik Solid Waste Management Limited.	2.00	2.00
<b>Government Securities</b>		
- 6 Year National Savings Certificates VIII Issue (lodged with Govt. Authorities)	0.09	0.09
- Indira Vikas Patra	0.20	0.20
<b>Bonds</b>		
- Nil Bonds (Previous Year 2), 7.60% Konkan Railway Corporation Bonds of Rs.1,000,000 each fully paid up (2, 7.60% Konkan Railway Corporation Bonds amounting to Rs.20.32 lacs sold during the year.)	-	20.32
<b>Debentures</b>		
- 5% Non Convertible Debentures Stock of Woodlands Hospital and Medical Research Centre Ltd.	0.22	0.22
- 14 (Previous year 14) 8% Non Convertible Debentures of Indian Chamber of Commerce of Rs.12.50 each fully paid up	0.01	0.01
<b>Quoted</b>		
- 350 (Previous Year Nil) ordinary shares in StanCorp Financial Group, Inc, USA	5.85	-
<b>C. Current Investment (At lower of cost and market value)</b>		
<b>Unquoted</b>		
- Nil (Previous year 16,357,452) Units in Kotak Liquid (Institutional Premium) - Daily Dividend Plan of Rs.12.23 each fully paid (16,357,452 units of Rs.2,000.20 lacs sold during the year)	-	2000.20
- Nil (Previous year 19,963,809) Units in Birla Sun Life Cash Plus - Instl. Prem. - Daily Dividend Reinvestment of Rs.10.02 each fully paid (19,963,809 units of Rs.2000.27 lacs sold during the year)	-	2000.27
- Nil (Previous year 12,236,707) Units in HDFC Liquid Fund Premium Plan - Dividend -Daily Reinvest Plan of Rs.12.26 each fully paid (12,236,707 units of Rs.1500.20 lacs sold during the year)	-	1500.20
<b>Total</b>	<b>8.37</b>	<b>6305.62</b>
Aggregate amount of unquoted investments	2.52	6305.62
Aggregate amount of quoted investments (Market Value Rs.7.06 lacs (Previous Year Rs.Nil)) (For investments purchased and squared off during the year, refer Note No. 5 of Schedule 26 C of financial statements)	5.85	-

**SCHEDULE 9: INVENTORIES (AT LOWER OF COST AND NET REALISABLE VALUE)**

Stores and spares	8503.01	5828.29
Catalysts in use	1369.89	1323.49
Naphtha	937.49	1005.07
Raw materials {Including in transit Rs.810.23 Lacs (Previous Year Rs 402.22 Lacs)}	6589.60	5033.79
Loose tools	9.02	5.96
Packing materials	345.45	315.61
Waste (at net realisable value)	74.51	31.90
Work-in-process	2024.55	1910.09
Finished goods {Including in transit Rs.2374.66 Lacs (Previous Year Rs.1426.51 Lacs)}	15688.41	8659.93
Traded goods {Including in transit Rs.16.56 (Previous Year Rs.Nil)}	6878.14	3750.23
	<b>42420.07</b>	<b>27864.36</b>

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 10: SUNDRY DEBTORS</b>		
<b>Debts outstanding for a period exceeding six months</b>		
Secured, considered good	5.65	5.65
Unsecured, considered good {Including subsidy receivable from Government of India Rs.12721.66 Lacs, (Previous Year Rs.13756.10 Lacs)}	13375.40	14758.24
Unsecured, considered doubtful	898.63	642.75
<b>Other debts</b>		
Secured, considered good	9038.59	1040.15
Unsecured, considered good {Including subsidy receivable from Government of India Rs.37453.49 Lacs, (Previous Year Rs.32749.99 Lacs)}	46999.78	49341.87
Unsecured, considered doubtful	292.09	244.58
	<u>70610.14</u>	<u>66033.24</u>
Less: Provision for doubtful debts	1190.72	887.33
	<u>69419.42</u>	<u>65145.91</u>

**SCHEDULE 11: CASH AND BANK BALANCES**

Cash on hand	9.39	10.00
Cheques/drafts in hand	25.62	64.79
Balances with scheduled banks: (Refer Note No. 3(a) of Schedule 26 C):		
On unpaid dividend/debenture/fixed deposit accounts	841.61	778.10
On current accounts	8283.28	3363.40
On cash credit accounts	16386.82	5.53
On saving accounts	0.43	0.39
On fixed deposit accounts	3046.19	8036.15
Balances with overseas banks (Refer Note No. 3(b) of Schedule 26 C):		
On current accounts	4931.87	4315.22
On fixed deposit accounts (Rs.222.74 lacs pledged with licensed bank)	14299.82	-
On escrow accounts	13819.51	3614.27
	<u>61644.54</u>	<u>20187.85</u>

**SCHEDULE 12: OTHER CURRENT ASSETS**

(Unsecured, considered good except to the extent stated)

Interest receivable on loans, deposits and others	785.40	930.65
Interest accrued on investments	-	1.14
Export benefits receivable	416.27	407.04
Insurance and other claims receivable	397.07	334.28
{Considered doubtful Rs.119.79 Lacs (Previous Year Rs. 119.79 Lacs)}		
Unamortised premium on forward contracts	1317.10	193.88
Fertilisers Companies Govt. of India bonds (at lower of cost and market value)	16202.70	32505.40
Assets held for disposal (at lower of cost and realisable value)	20.00	20.00
Unbilled Revenue	873.59	666.72
	<u>20012.13</u>	<u>35059.11</u>
Less: Provision for doubtful receivables	119.79	119.79
	<u>19892.34</u>	<u>34939.32</u>

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 13: LOANS AND ADVANCES</b>		
(Unsecured, considered good except to the extent stated)		
Advances recoverable in cash or in kind or for value to be received (Considered doubtful Rs.214.35 Lacs, Previous Year Rs.77.10 Lacs)	6400.69	13666.92
Balances with customs, excise, etc.	735.28	965.12
Loans to employees {Secured Rs.462.54 lacs (Previous year Rs.514.33 lacs)}	506.18	552.76
Deposits - others	1530.45	1328.77
Inter - corporate deposits	3000.00	2000.00
VAT Receivable	1230.05	820.06
Advance to CFCL Employees Welfare Trust (Refer Note No. 14 (a) of Schedule 26 C)	677.10	-
Advance fringe benefit tax (Net of provision for fringe benefit tax)	3.70	3.70
	<u>14083.45</u>	<u>19337.33</u>
Less: Provision for doubtful deposits & advances	<u>214.35</u>	<u>77.10</u>
	<u>13869.10</u>	<u>19260.23</u>
Included in Loans and Advances are:		
i. Dues from Directors of the Company {Maximum amount outstanding during the year Rs.17.03 Lacs (Previous Year Rs.21.43 Lacs)}	9.65	17.03
ii. Dues from Officers of the Company {Maximum amount outstanding during the year Rs.5.34 Lacs (Previous Year Rs.6.85 Lacs)}	0.61	5.34
<b>SCHEDULE 14: CURRENT LIABILITIES</b>		
Sundry creditors		
- Total outstanding dues to Micro and Small Enterprises	1.52	6.02
- Total outstanding dues to creditors other than Micro and Small Enterprises	32370.95	31309.30
Advances from customers	4156.02	5966.59
Earnest money/security deposits	3338.72	2951.21
Unclaimed statutory liabilities (as referred in Section 205C of the Companies Act, 1956):*		
- Unpaid dividend	841.10	775.40
- Unpaid matured deposit	14.79	15.13
- Unpaid interest on above	0.99	1.19
Escrow Liability**	13819.51	3614.27
Forward contract	2700.72	1153.83
Other liabilities	1998.90	1189.54
Book overdraft	350.97	6.37
Interest accrued but not due on loans	655.96	585.47
Purchase consideration payable	161.57	319.79
	<u>60411.72</u>	<u>47894.11</u>
* Amount payable to Investor Education and Protection Fund is Rs.0.06 Lacs.		
** Escrow Liability represents gross amount received from lenders, pending disbursements to borrowers.		
<b>SCHEDULE 15: PROVISIONS</b>		
Provision for taxation (net of advance tax payments)	4212.10	4267.60
Provision for Wealth tax	15.04	12.57
Provision for leave encashment	1302.01	1214.17
Provision for gratuity (Refer Note No. 8 in Schedule 26 C)	321.69	853.15
Provision for loss on derivative contract	2941.88	2117.18
Proposed dividend on equity shares	7907.95	7907.95
Tax on proposed dividend	1282.87	1313.44
	<u>17983.54</u>	<u>17686.06</u>
<b>SCHEDULE 16: MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)</b>		
Deferred revenue expenditure		
- Opening balance	-	59.28
- Less: Written-off during the year	-	59.28
- Closing balance	-	-
Amalgamation adjustment account		
- Opening balance	-	113.29
- Less: Transfer to Tonnage Tax Reserve Account	-	113.29
- Closing balance	-	-

**SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

(Rs. in Lacs)

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>SCHEDULE 17: TURNOVER (GROSS)</b>		
Sales of own manufactured products (including subsidy on fertilisers)	317769.46	289692.23
Sales of Traded Products (including subsidy on fertilisers)	160686.55	76108.89
Income from operations of Shipping business	30838.15	29703.62
{Including Rs.7468.81 lacs from charter in ship (Previous Year Rs.7273.11 lacs)}		
Software development, KPO and BPO Services	54412.17	13673.40
Software licence fees	398.36	746.18
Software maintenance	4031.98	2999.80
	<u>568136.67</u>	<u>412924.12</u>
<b>SCHEDULE 18: OTHER INCOME</b>		
Interest on		
- Long term investments - Non Trade (Gross)	0.15	1.52
- Fertilisers Bond	2470.35	2460.43
- Employees loans	23.15	26.23
- Income Tax refund	310.81	57.63
- Deposit (Gross)	975.29	704.05
{Tax deducted at source Rs.56.94 lacs (Previous Year Rs.80.92 lacs)}		
- Delayed payment by customers	476.02	281.76
{Tax deducted at source Rs.12.38 lacs (Previous Year Rs.10.71 lacs)}		
Dividend income on non trade current investments	79.39	439.37
Rent received	153.72	176.43
Foreign exchange variation (Net)	2053.54	-
Insurance claims received	753.59	386.74
Liabilities no longer required written back	716.80	600.31
Export benefits	634.71	621.52
Profit on sale of asset (Net)	384.78	114.59
Sale of scrap	270.28	258.18
Miscellaneous income	733.92	604.23
	<u>10036.50</u>	<u>6732.99</u>
<b>SCHEDULE 19: RAW MATERIAL CONSUMED</b>		
Opening inventories	5033.79	3825.09
Add: Purchases	147490.16	125230.06
Less: Closing inventories	6589.60	5033.79
	<u>145934.35</u>	<u>124021.36</u>
<b>SCHEDULE 20: PERSONNEL EXPENSES</b>		
Salaries, wages and bonus*	30940.06	17827.83
Contribution to provident and other funds	2060.39	1024.61
Gratuity expenses (refer Note No. 8 of Schedule 26 C)	314.15	120.60
Workmen and staff welfare expenses*	2305.22	935.44
	<u>35619.82</u>	<u>19908.48</u>
* Refer Note No. 6 of Schedule 26 C		
<b>SCHEDULE 21: DECREASE/(INCREASE) IN INVENTORIES</b>		
Closing inventories		
- Work-in-process	2024.55	1910.09
- Finished goods	15688.41	8659.93
- Traded goods	6878.14	3750.23
- Waste	74.51	31.90
	<u>24665.61</u>	<u>14352.15</u>
Opening inventories		
- Work-in-process	1910.09	2159.31
- Finished goods	8659.93	10235.51
- Traded goods	3750.23	11556.71
- Waste	31.90	12.65
	<u>14352.15</u>	<u>23964.18</u>
	<u>(10313.46)</u>	<u>9612.03</u>

Particulars	(Rs. in Lacs)	
	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>SCHEDULE 22: OPERATING AND OTHER EXPENSES</b>		
Consumption of stores and spares*	5336.72	3975.38
Consumption of packing materials	8683.48	7356.94
Sub contracting expenses	28986.57	3362.23
Power and fuel*	65545.22	57309.97
Catalyst charges written off	272.33	182.96
Rent	4433.72	2858.26
Rates and taxes	769.63	343.03
Insurance*	2340.68	1870.20
Repairs and maintenance:		
- Plant & Machinery	2872.72	1578.61
- Ships	562.15	402.57
- Buildings	387.33	448.99
- Others	1071.83	767.57
Ships bunker cost	2648.31	2846.03
Ships port dues	836.70	1102.55
Ships special survey expenses	910.27	1383.63
Directors' sitting fees	12.83	8.98
Travelling and conveyance*	3563.94	2340.39
Communication costs	2106.42	1026.95
Printing and stationery	99.13	115.10
Legal and professional fees*	2808.92	1620.86
Auditor's remuneration (including Branch Auditors')		
As auditor:		
- Audit fee	147.75	151.66
- Tax audit fee	7.50	7.50
- Limited review fee	22.34	21.84
- Out of pocket expenses	4.65	3.27
In other manner:		
- Management services	18.75	-
- Certification and other services	76.16	33.10
Decrease/ (increase) of excise duty on inventories	59.80	-
Freight and forwarding charges	33210.23	26715.18
Selling and marketing expenses	932.29	722.61
Cash rebate to customers	139.03	218.76
Commission and brokerage to other than sole selling agents	1188.91	1120.51
Donations and contribution to		
- Corporate electoral trust (Political purpose)	-	150.10
- Charitable institutions	6.25	14.38
Depletion of loose tools	7.74	8.66
Green belt development/horticulture expenses	282.84	262.25
Diminution in the value of Fertiliser bonds	100.00	1400.00
Provision for doubtful advances and debts	440.64	404.80
Foreign Exchange Variation (Net)	-	43.82
Premium on forward contracts amortised	3747.65	1081.03
Provision for loss on derivative transaction	824.70	1405.07
Doubtful debts and advances written off	464.45	40.32
Inventory written off	336.55	77.86
Assets written off	689.90	119.52
Agronomy management fees	7.96	5.87
Miscellaneous expenses *	2377.52	2251.06
	<u>179342.51</u>	<u>127160.37</u>

\* Refer Note No. 6 of Schedule 26 C

(Rs. in Lacs)

Particulars	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>SCHEDULE 23: FINANCIAL EXPENSES</b>		
Interest:		
- On term loans*	7537.24	6242.65
- On debentures and commercial papers	991.62	1623.02
- On cash credit facilities	185.46	210.44
- Others	2653.70	805.02
Bank charges and guarantee commission*	1077.12	734.53
Other financial charges	266.75	96.17
	<u>12711.89</u>	<u>9711.83</u>

\* Refer Note No. 6 of Schedule 26 C

**SCHEDULE 24: EXCEPTIONAL ITEMS**

Profit on sale of investments	278.87	278.87
	<u>278.87</u>	<u>278.87</u>

**SCHEDULE 25: EARNING PER SHARE (EPS)**

Net profit after tax as per profit and loss account	24059.12	21722.88
Calculation of weighted average number of equity share of Rs.10/- each		
- Number of shares at the beginning of the year	416207852	416207852
- Total equity shares outstanding at the end of the year	416207852	416207852
- Weighted average number of equity shares outstanding during the year	<u>416207852</u>	<u>416207852</u>
Basic and Diluted Earning Per Share (in Rs.)	5.78	5.22
Nominal Value of Equity Shares (in Rs.)	10.00	10.00

**SCHEDULE 26: CONSOLIDATED NOTES TO ACCOUNTS****A. Nature of Operations**

The Group is the largest manufacturer of Urea in private sector in India and is also into the trading of fertilisers and other agri inputs. It also has a Joint venture for manufacturing of Phosphoric Acid in Morocco. Apart from that the Group is also engaged in manufacturing of Synthetic and Cotton Yarn, Shipping Business and Software business.

**B. Statement of Significant Accounting Policies****1) Basis of Preparation**

The Consolidated Financial Statements (CFS) have been prepared to comply in all material respects with the Notified Accounting Standards by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

The CFS relates to Chambal Fertilisers and Chemicals Limited (hereinafter referred as the "Company") and its Subsidiaries (hereinafter referred as the "Group").

The Company's one of the stepdown subsidiary CFCL Technologies Limited and its subsidiaries have incurred loss of Rs.12012.82 lacs during the year ended December 31, 2010 and is dependent upon liquidity support on continuous basis from its shareholders. CFCL Technologies Limited and its subsidiaries plan to manage the liquidity during the year 2011 through capital infusion by the existing shareholders and cost optimisation. CFCL Technologies Limited and its subsidiaries had laid out a plan to turn EBIDTA positive in the year 2011 and the same is pursued currently. Accordingly the financial statements of CFCL Technologies Limited and its subsidiaries have been prepared on going concern basis.

**2) Principles of Consolidation**

In the preparation of these Consolidated Financial Statements, investment in Subsidiaries, and Joint Venture have been accounted for in accordance with Accounting Standard (AS) 21, Consolidated Financial Statements, and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures. The Consolidated Financial Statements have been prepared on the following basis;

- (i) Subsidiaries have been consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after eliminating all significant intra-group balances and intra-group transactions and also unrealised profits or losses, except where cost can not be recovered.
- (ii) Interests in the assets, liabilities, income and expenses of the joint venture are consolidated using proportionate consolidation method. Intra group balances, transactions and unrealised profits/ losses are eliminated to the extent of Company's proportionate share.

- (iii) The difference of the cost to the Company of its investment in subsidiaries and joint venture over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be.
- (iv) Minorities' interest in net profit of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same is accounted for by the holding company.
- (v) As far as possible, the CFS have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's stand alone financial statements. Differences in accounting policies have been disclosed separately.
- (vi) The difference between the proceeds from disposal of investment in subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognized in the consolidated statement of Profit & Loss Account as the profit or loss on disposal of investment in subsidiary.
- (vii) The accounts of all the Group entities are drawn up to the same reporting date as the parent entity (i.e. financial year ended March 31, 2011) except for the following entities in which case the accounts drawn up as at December 31, 2010.

Sl. No.	Name of entity	Relationship
(i)	Indo Maroc Phosphore S.A.	Joint Venture Entity
(ii)	CFCL Technologies Limited and its subsidiaries	Step down Subsidiaries

Adjustments have been done for the period subsequent to that date for significant transactions, if any.

### 3) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual results and estimates is recognized in the period in which the results are known/materialized.

### 4) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

In respect of accounting periods commencing on or after December 7, 2006, exchange differences arising on reporting of the long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in the previous financial statements are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

### 5) Depreciation

Depreciation is provided using Straight Line Method as per the useful life of the asset estimated by the management or the rates prescribed under Schedule XIV to the Companies Act, 1956 whichever is higher, except as mentioned in para (i) to (v) below:

Sl. No.	Assets	Useful life/rate
(i)	Second hand fixed assets at Textile division	On technically assessed remaining useful lives of such assets ranging from 3 to 7 years.
(ii)	- Leasehold Land - Leasehold Improvement - Assets under finance lease	Amortised over 99 Years Range from 4 to 12 Years Range from 3 to 9 Years These assets are amortised over the period of respective leases or useful life of assets, whichever is lower.
(iii)	Insurance/Machinery Spares	Over the remaining useful lives of mother assets ranging from 1 to 18 years.
(iv)	Ships of Shipping Division	On technical evaluation of remaining useful life in case of old ships, which is 10 years and as per Companies Act, 1956 in case of new ships.
(v)	Fixed assets of Shipping Division other than ships	On written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

Assets costing below Rs.5,000 are depreciated in the year of purchase.

In case of foreign subsidiaries and joint venture, comprised within the Group, depreciation has been provided on a straight line basis at the rates required/ permissible as per their local laws so as to write off the assets over their estimated useful lives, which range from 3 to 20 years. These rates are not lower than Schedule XIV rates.

### 6) Impairment

- (i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre tax discount rate that reflects current market assessment of the time value of money and risk specific to the asset.
- (ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

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## 7) Intangible Assets

- (i) Research costs are expensed as incurred. Development expenditure can only be capitalized if specific conditions are fulfilled.

Development expenditure incurred on software implementation is carried forward when its future economic benefits can reasonably be regarded as assured. The expenditure carried forward is amortized over a period of three to five years on straight line basis.

The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Purchased software packages are amortised over a period of three to five years.

- (ii) In respect of a joint venture entity, intangible assets consists of Patents, Rights and Trademarks etc. for which consideration was paid to an outside party are amortised over a period of six years based on technical assessment.
- (iii) In case of overseas subsidiaries, cost relating to intellectual property rights, which are acquired, are capitalized and amortised over a period of one to three years.

Costs incurred in conjunction with software development are charged to software development expenses in the period the costs are incurred until technological feasibility is established. Thereafter, all software development costs are capitalized and reported at the lower of unamortized cost and net realizable value. Capitalised software costs are amortized over the estimated useful life of the software (generally over three years). Software development costs are presented on the balance sheet net of applicable amortization. The estimates of remaining useful life of the software are subject to risks inherent in the software industry, such as changes in technology and customer perceptions. Management regularly reviews these estimates and makes adjustments as appropriate.

- (iv) Goodwill arising as per Accounting Standard 10 "Accounting for fixed assets" is not amortised but is tested for impairment at least annually or as circumstances warrant at reporting unit level. If impairment is indicated, a written down to fair value (normally measured by discounting estimated future cash flows) is recorded.
- (v) Goodwill arising as per Accounting Standard 14 "Accounting for Amalgamation" is amortised using the straight-line method over a period of five years.

## 8) Goodwill on Consolidation

Goodwill represents the difference between the Group's share in the net worth of the investee companies and the cost of acquisition at each point of time of making the investment. For this purpose, the Group's share of equity in the investee companies are determined on the basis of the latest financial statements of the respective companies available as on the date of acquisition, after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Goodwill is not amortized but tested for impairment atleast annually. If impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is recorded.

## 9) Leases

### Where the Company is the lessee

Finance leases, which effectively transfer to the Company substantially all the risk and benefits incidental to the ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability, based on the implicit rate of return. Finance charges are expensed. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease item, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessors effectively retains substantially all the risk and benefits of ownership of the leased terms, are classified as operating lease. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight line basis over the lease term.

### Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Profit and Loss Account on a straight-line basis over the lease term. Cost, including depreciation is recognized as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs are recognized immediately in the Profit and Loss Account.

## 10) Government Grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/ subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is netted off from the respective expense necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

### 11) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. However, provision for diminution in the value is made to recognise a decline other than temporary in the value of the investments.

### 12) Inventories

Inventories are valued as follows:

Naphtha, Raw materials, Packing materials, Stores and spares	Lower of cost and net realizable value. However, materials and other items held for use in the production of finished goods are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
Catalyst in Use	At depreciated cost on the basis of amortization over their estimated useful lives ranging from five to fifteen year as technically assessed.
Loose Tools	At depreciated cost arrived at on the basis of amortization over a period of three years.
Work in Process and Finished Goods	Lower of cost and net realizable value. Cost includes direct materials, labour, excise duty and a proportion of manufacturing overheads based on normal operating capacity. Cost is determined on a weighted average basis.
Traded products	Lower of cost and net realizable value. Cost is determined on weighted average basis.
Bunkers remaining on board	Lower of cost and net realizable value. Cost is determined on weighted average basis.
Deck, Engine Stores & Spares and Victualling	Lower of cost and net realizable value. Cost is determined on first in first out basis.
Waste	At net realisable value.

Net Realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 13) Borrowing Costs

Borrowing costs directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 14) Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

#### (i) Sale of Goods

Revenue, including subsidy, in respect of sale of products is recognised when the significant risks and rewards of ownership of the goods is passed to the buyer. Excise Duty deducted from turnover (gross) are the amount that is included in the amount of turnover (gross) and not the entire amount of liability accruing during the year. Sale is net of trade discounts and sales tax.

Subsidy on Urea is recognized based on Concession rate, including freight, as notified under the New Pricing Scheme, Uniform Freight Policy and New Investment Policy further adjusted for input price escalation/ de-escalation as estimated by the management based on the prescribed norms.

Subsidy on Traded fertiliser is recognized based on monthly Concession rates, including freight, as notified by the Government of India under Nutrient Based Subsidy Scheme and Uniform Freight Policy.

#### (ii) Income from operations of Shipping business

In respect of voyage charter, revenue is recognized on proportionate number of days of respective voyage. In case of time charter (including cost plus charter), revenue is recognized on time proportion basis.

#### (iii) Income from operations of Software business

In respect of subsidiaries engaged in software development and business process outsourcing services, revenue is recognised as under:

Revenue derived from professional services under the time and material contract is recognized as the related services are performed.

Revenue from title and related operations are primarily transaction based and are recognized as revenue when services are performed, the fee is fixed or determinable, and collection is reasonably assured.

Revenue from transaction services and other service contracts is recognized based on transactions processed. The Subsidiaries also generate upfront non-refundable revenues from process transition activities. Revenue and costs attributable to such process transition activities are deferred where such activities do not represent the culmination of a separate earnings process. Such revenue and related costs are recognized ratably over the period in which the related services are performed. Deferred costs are limited to the amount of deferred revenue and any excess costs are expensed as incurred.

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Software license fees is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred at the customer's location, the fees is fixed or determinable and collection is probable.

When software licenses are sold together with implementation or consulting services, license fees are recognized upon delivery provided all criteria's are met, payment of the license fees is not dependent upon the performance of services, and the services do not provide significant customization or modification of the software products and are not essential to the functionality of the software that was delivered.

Revenue from post-contract services, such as software maintenance is recognized on a straight-line basis over the term of the support period. The majority of the software maintenance agreements provide technical support as well as unspecified software products upgrades and releases when and if made available during the term of the support period.

Recovery of out-of pocket expenses is added to respective revenue.

Unbilled revenue represents work executed in accordance with the terms of the agreement with customers but not billed as of the balance sheet date.

(iv) **Interest**

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Further Interest on delayed payment from customers are accounted on accrual basis to the extent these are measurable & ultimate collection is reasonably certain.

(v) **Dividend**

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

(vi) **Insurance Claims**

Claims receivable on account of insurance are accounted for to the extent the Company is reasonably certain of their ultimate collection.

(vii) **Export Benefits**

Export benefits under Duty Exemption Advance License Scheme, Duty Exemption Pass Book Scheme and Duty Draw Back Scheme are accounted for in the year of export of goods.

## 15) Advance from customers

### Software Business

Advance received from customers consists of unearned portion of maintenance services provided to customers based on maintenance agreements, deferred license and subscription fees and professional services revenue generated from arrangements that are invoiced in accordance with the terms and conditions of the arrangement but do not meet all the criteria of the Group's revenue recognition policies, and are, therefore, deferred until all revenue recognition criteria are met.

## 16) Foreign Currency Translation

(i) **Initial recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) **Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) **Exchange differences**

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before 31st March, 2011.

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) **Forward exchange contracts not intended for trading or speculation purposes**

The premium or discounts arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange difference on such contracts is recognized in the statement of profit and loss in the year in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognized as income or expenses for the year.

(v) **Translation of non-integral foreign operation**

In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at average exchange rates prevailing during the year; and all resulting exchange differences are accumulated in a "Foreign Currency Translation Reserve" until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

**17) Retirement and other employee benefits**

(i) Retirement benefit in the form of Provident Fund is a defined benefit obligation in case of fertiliser & shipping division of the Company and the contributions are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. Shortfall in the funds, if any, is adequately provided for by the Company.

In respect of Textile division of the Company and Indian Subsidiaries of CFCL Technologies Limited, Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(ii) Superannuation Fund is a defined contribution scheme. Liability in respect of Superannuation Fund to the concerned employees of Fertiliser and Shipping Division is accounted for as per the Company's Scheme and contributed to Life Insurance Corporation of India (LIC) / ICICI Prudential Life Insurance Company Limited (ICICI) every year. The contributions to the funds are charged to the Profit and Loss Account of the year. The Company does not have any other obligation to the fund other than the contribution payable to LIC / ICICI.

(iii) Pension fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(iv) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. However, in respect of Fertiliser Division, the Company has taken policies from LIC & ICICI and for Shipping Division, the Company has taken a policy from LIC to cover the gratuity liability of the employees. The difference between the actuarial valuation of the gratuity of employees at the year-end and the balance of funds with LIC & ICICI is provided for as liability in the books.

(v) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for on the basis of actuarial valuation at the year end. The actuarial valuation is done as per Projected Unit Credit Method.

(vi) Actuarial gains/ losses are immediately taken to Profit & Loss Account and are not deferred.

(vii) In respect of retirement benefits of overseas subsidiaries, employee benefits are in the nature of contribution made in accordance with the applicable laws and charged to the Profit and Loss Account of the year when the contribution are due.

**18) Income Taxes**

Tax expense comprises of current, deferred and tonnage tax. Current income tax and tonnage tax is measured at the amount expected to be paid to the tax authorities in accordance with local tax laws applicable in the respective countries. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

The shipping division of the Company is covered under "Tonnage Tax Scheme" under section 115V of the Income Tax Act, 1961, India, therefore the items of income/expense for shipping division has not been considered for the purpose of deferred tax calculations.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situation where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have a legal right to do so.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company write-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

## 19) Segment Reporting Policies

### Identification of segments

The Group's operating businesses are organized and managed separately according to the nature of products manufactured and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the locations of customers.

### Allocation of common costs

Common allocable costs are allocated to each segment in proportion to the relative sales of each segment.

### Unallocated items

All the common income, expenses, assets and liabilities, which are not possible to be allocated to different segments, are treated as unallocated items.

### Segment policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting financial statements of the Company as a whole.

## 20) Earning per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of the equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

## 21) Provisions

A Provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## 22) Cash and Cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

## 23) Derivative Instruments

As per the Institute of Chartered Accountants of India (ICAI) Announcement, accounting for derivative contracts, other than those covered under Accounting Standard 11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the profit & loss account. Net gains are ignored.

## 24) Employee stock compensation costs

### Holding Company:

Measurement and disclosure of the employee stock option scheme is done in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

### Subsidiary Company:

Measurement and disclosure of the employee share-based payment plans is done in accordance with Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the fair value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

## C. Notes to accounts

### 1. The Group comprises of the following entities:

Name of the Group Company	Country of Incorporation	Percentage of Ownership as at 31.03.2011	Percentage of Ownership as at 31.03.2010
<b>Subsidiaries</b>			
Chambal Infrastructure Ventures Limited (CIVL)	India	100.00%	100.00%
CFCL Overseas Limited (COL)	Cayman Islands	100.00%	100.00%
India Steamship Pte Limited	Singapore	100.00%	100.00%
<b>Step-down Subsidiaries of CIVL</b>			
Chambal Energy (Orissa) Limited	India	100.00%	100.00%
Chambal Energy (Chhattisgarh) Limited	India	100.00%	100.00%
<b>Step-down Subsidiaries of COL</b>			
CFCL Technologies Limited (CTL)	Cayman Islands	79.51%	79.51%

Name of the Group Company	Country of Incorporation	Percentage of Ownership as at 31.03.2011	Percentage of Ownership as at 31.03.2010
<b>Step-down Subsidiaries of CTL</b>			
CFCL Ventures Limited (CVL) (100% Subsidiary of CTL)	Cayman Islands	100.00%	100.00%
ISGN Corporation – erstwhile Novasoft Information Technology Corporation (“NITC”)	USA	99.99%	99.99%
<b>Step-down Subsidiaries of NITC</b>			
ISGN Solutions, Inc (ISGNS)	USA	100.00%	100.00%
NITC, GmbH (“GNITC”) – no operations during the year	Germany	100.00%	100.00%
<b>Step –down subsidiaries of ISGNS</b>			
Richmond Title GenPar, LLC (“GenPar”)	USA	100.00%	100.00%
Richmond Investors, LLC (“Investors”)	USA	100.00%	100.00%
Richmond Title Services, LP (“Richmond LP”)	USA	100.00%	100.00%
Flex Agents Signing Team, LLC (“Flex”) – Subsidiary of “Richmond LP”	USA	100.00%	100.00%
Richmond Title Services, LLC (“Richmond LLC”)	USA	100.00%	100.00%
ISGN Fulfillment Services, Inc., (Pennsylvania) (formerly known as Fiserv Fulfillment Services, Inc. (“FFS”))	USA	100.00%	100.00%
ISGN Fulfillment Services, Inc (Arizona) (formerly known as Fiserv Fulfillment Services, Inc.) (“FFS Arizona”)	USA	100.00%	100.00%
ISGN Fulfillment Services South, Inc (formerly known as Fiserv Fulfillment Services South, Inc. (“FFS South”))	USA	100.00%	100.00%
ISGN Fulfillment Services of Alabama, LLC (formerly known as Fiserv Fulfillment Services of Alabama, LLC (“FFS Alabama”))	USA	100.00%	100.00%
ISGN Fulfillment Services of Maryland, Inc (formerly known as Fiserv Fulfillment Services of Maryland, Inc. (“FFS Maryland”))	USA	100.00%	100.00%
ILS Services, LLC (“ILS”)	USA	100.00%	100.00%
ISGN Fulfillment Agency, LLC (formerly known as Fiserv Fulfillment Agency, LLC (“FFA”))	USA	100.00%	100.00%
ISGN Fulfillment Agency of Alabama, LLC (formerly known as Fiserv Fulfillment Agency of Alabama, LLC (“FFAA”))	USA	100.00%	100.00%
<b>Step-down Subsidiaries of CVL</b>			
ISG Novasoft Technologies Limited (“ISGNTL”)	India	100.00%	100.00%
Inuva Info Management Private Limited (“INUVA”) – Subsidiary of “ISGNTL”	India	71.00%	71.00%
<b>Joint Ventures</b>			
Indo Maroc Phosphore S.A.	Morocco	33.33%	33.33%
<b>Associates</b>			
Zuari Investments Limited*	India	-	16.67%

\* During the previous year, the Company had reduced its share in investment in Zuari Investments Limited which had resulted in cessation of associate relationship.

## 2A Contingent liabilities (not provided for) in respect of Parent Company:

(Rs. in Lacs)

Sl. No.	Particulars	2010-11	2009-10
a)	Demand raised by Customs, Sales Tax and Income Tax (IT) authorities being disputed by the Company	6285.91*	5835.84*
b)	Various labour cases	Amount not ascertainable	Amount not ascertainable
c)	Other claims against the Company not acknowledged as debts.	4.24	4.24
d)	Claim against Nihat Shipping Company Limited in legal suits/ notices, in which the Company has been made a party, is being contested, since the Company acted as Agents/ Technical & Operational managers.	222.04	222.04
e)	Penalty levied by FERA Board under appeal before the Calcutta High Court.	1.30	1.30

\* Brief Description of liabilities as per (a) above:

(Rs. in Lacs)

Sl. No.	Particulars	2010-11	2009-10
1.	<b>Income Tax:</b> – Demand raised by IT authorities on account of various disallowances for A.Y. 2002-03 including penalties. – Demand raised by IT authorities on account of various disallowances for A.Y. 2003-04 including penalties. – Demand raised by IT authorities on account of various disallowances for A.Y. 2004-05 including penalties. – Demand raised by IT authorities on account of various disallowances for A.Y. 2006-07 including penalties. – Demand raised by IT authorities on account of various disallowances for A.Y. 2008-09 including penalties. – Demand raised by IT authorities on account of short deduction of TDS and interest thereon for A.Y 2008-09 & 2009-10.	70.26 2808.10 2320.91 28.93 481.48 508.93	838.92 4674.78 135.21 28.93 - -
2.	<b>Sales-Tax:</b> – Disallowance of VAT credit on raw materials used in the manufacturing of finished goods and lying in stock on April 1, 2006 – Miscellaneous Rajasthan Sales Tax & Central Sales Tax demand	22.18 38.47	22.18 38.90
3.	<b>Land Tax:</b> – Demand raised by Registrar for usage of land other than for specified purposes.	-	92.33
4.	<b>Service-Tax/Excise Duty/Custom Duty:</b> – Show cause notice received on services from foreign parties in respect of service tax not paid on Tax deducted at source (TDS) portion. – Show cause notice dated 16.03.11 related to non payment of service tax on "Renting Income" received during FY 2009-10 of Rs. 2.54 lac.	4.59 2.06	4.59 -
	<b>Total</b>	<b>6285.91</b>	<b>5835.84</b>

Based on favourable decisions in similar cases, legal opinion taken by the Company, discussions with the solicitors, etc., the Company believes that there is fair chance of decisions in its favour in respect of all the items listed in (a), (c), (d) and (e) above and hence no provision is considered necessary against the same.

- 2B** The Company had received a demand of Rs.352.34 lacs from Sales Tax Department, Kota in an earlier year towards use of natural gas for ammonia fuel, power and steam generation for the period of April, 1996 to May, 2001. The Company has obtained a stay from Hon'ble High Court of Rajasthan, Jodhpur on 11th July, 2001. However, in the event of the Company having to pay the above, it is reimbursable by Fertiliser Industry Coordination Committee (FICC)/ Government of India under Subsidy Scheme.
- 2C** The Company as well as other users of natural gas under HBJ Gas Pipeline had in earlier years received letters from GAIL (India) Limited (erstwhile Gas Authority of India Ltd), informing about the possibility of levy of excise duty on natural gas (presently not levied) with retrospective effect. The amount of such levy is not ascertainable. However, in the event of its levy, it is reimbursable by FICC of Ministry of Fertilisers, the Government of India under Subsidy Scheme.
- 2D** The Company as well as other users of Natural Gas under HBJ Gas Pipeline had received a letter in an earlier year from GAIL (India) Limited (erstwhile Gas Authority of India Ltd), informing about the possibility of levy of Central Sales Tax. The Company has been taking the delivery of Gas in the State of Rajasthan and has been accordingly paying Rajasthan Sales Tax on the supply. Therefore, the Company feels that no Central Sales Tax is payable by it. Further, the amount of such levy is not ascertainable. However, in the event of its levy, it is reimbursable by FICC of Ministry of Fertilisers, the Government of India under Subsidy Scheme.
- 2E** Under the Jute Packaging Material (Compulsory use of Packing Commodities) Act, 1987, a specified percentage of fertilisers dispatched were required to be supplied in Jute bags up to 31.8.2001. The provisions of the said Act were challenged in the Supreme Court, which upheld the constitutional validity of this Act in its judgment in 1996. In spite of making conscious efforts to step up use of jute packaging material, the Company had been unable to adhere to the specified percentage, due to strong customer resistance to use of jute bags. The Company had received show cause notice from the Office of the Jute Commissioner, Kolkata, for levying a penalty of Rs.7380.36 lacs for non compliance of the provisions of the said Act. The Company has obtained a stay order from Delhi High Court against the above show cause notice and has been advised that the said levy is not tenable in law and accordingly no provision has been considered.
- 2F** Contingent liabilities (not provided for) in respect of Subsidiaries:
- a) Richmond Title Services (RTS)
- Faulty Title Search – amount not quantifiable.
  - Breach of Contract, negligence and other claims – amount not quantifiable.
  - Breach of fiduciary duty – amount not quantifiable.
  - Failure to close out LOC- US\$ 85,000 (Rs.38.00 lacs).
  - Mistakenly sued over bankruptcy proceeding- US \$ 5,000 (Rs.2.24 lacs).

- Failure to timely record a mortgage- amount not quantifiable.
  - General case on closing fraud perpetuated – suit filed against all entities involved in closing, RTS has no culpability – amount not quantifiable.
  - Over charging on settlement services – blocked by previous call action- amount not quantifiable.
  - Failure to secure release of lien – amount not quantifiable.
  - Failure to file (in wrong county)- amount not quantifiable.
- b) ISGN Corporation, USA
- Claim to recover licensing fee on use of products of the company and post maintenance services - US\$ 87,162 (Rs.38.97 lacs).
  - Breach of warranty on product licenses sold (related to erstwhile Dynatek Inc. since merged with ISGN Corporation) - US\$ 74,950 (Rs.33.51 lacs).
- c) ISGN Fulfillment Services, Inc.
- Shortages in closing - US\$ 13,430 to collect (Rs.6.00 lacs).
  - Refusal to cover loans related to Lien protection Insurance– The entity is protected by indemnification from former owner -amount not quantifiable.
- d) Inuva Info Management Private Limited, India
- Disputed sales tax and purchase tax matters under West Bengal Sales Tax Act - US\$ 670 (Rs.0.30 lacs).
- e) ISG Novasoft Technologies Limited, India
- Adjustments to taxable income made to the tune of US\$2.1 million (Rs.938.91 lacs) by the Deputy Commissioner of Income-tax u/s 143(3) of the Act for the Assessment Year 2007-08 (Financial Year 2006-07) is being contested before the Commissioner of Income-tax, New Delhi, India.

**3a** As the financial statements of CFCL Technologies Limited (CTL) and its subsidiaries are drawn up as at December 31, 2010, adjustments have been made for significant transactions during the period from January 1, 2011 to March 31, 2011 in accordance with Accounting Standard (AS) 21, Consolidated Financial Statements as notified by the Companies (Accounting Standards) Rules, 2006 (as amended). During this period, the Company and its subsidiary, CFCL Overseas Limited (COL) have given loan/ inter-corporate deposits amounting to Rs.2238.00 lacs to CTL and its subsidiary ISG Novasoft Technologies Limited (ISG). Accordingly, we have adjusted the above transactions in the books of CTL and its subsidiary ISG. Thus, the balances in current accounts as shown in Schedule 11 of the financial statements include loan/ inter-corporate deposits given by the Company and COL to CTL and its subsidiary ISG amounting to Rs.2238.00 lacs.

**b Details of balance with overseas banks and maximum balance outstanding**

(Rs. in Lacs)

Sr. No.	Bank Name	Balance as on		Maximum balance	
		31.3.2011	31.03.2010	FY 2010-11	FY 2009-10
<b>A</b>	<b>Balance in Overseas Banks</b>				
<b>(i)</b>	<b>On current accounts</b>				
1.	PNC Bank, USA	412.34	203.79	2114.41	916.24
2.	Bank Of America	0.20	0.20	0.20	0.20
3.	PNC Money Market Savings Account	2.54	1305.60	1959.35	2026.45
4.	Dresdner Bank	5.22	5.85	5.85	5.85
5.	SBI, Nassau, Cayman Islands	6.64	4.65	4477.67	5549.30
6.	Bank Of America, USA	-	6.25	6.25	6.25
7.	PNC Bank	-	142.07	142.07	508.50
8.	Citi Bank	2.68	-	2.68	-
9.	Wenster Bank Account	-	51.67	51.67	645.15
10.	Suntrust Bank	-	2.78	2.78	2.78
11.	M & T Bank	-	8.30	8.30	120.69
12.	Concentration	-	2471.07	2471.07	2887.85
13.	PNC Lock Box	72.21	25.38	158.72	1203.87
14.	North Star Title	-	1.71	1.71	1.97
15.	TNT Texas	-	46.68	46.68	46.68
16.	SBI London	12.01	39.22	232.92	40.88
17.	BMCE Paris	44.62	-	44.62	-
18.	BMCE Casa	817.08	-	2048.43	-
19.	BMCE El Jadida	11.60	-	18.65	-
20.	Banque Populaire	49.81	-	49.81	-
21.	Attijariwafa Bank	131.86	-	1070.95	-
22.	Credit Du Maroc	(2.32)	-	29.98	-
23.	BMCI / SGMP	92.04	-	476.83	-
24.	Banque Centrale Populaire	2494.03	-	2494.03	-

(Rs. in Lacs)

Sr. No.	Bank Name	Balance as on		Maximum balance	
25.	Bank of Baroda USD	439.61	-	1379.66	-
26.	Bank of Nova Scotia USD	334.28	-	807.56	-
27.	Bank of Nova Scotia SGD	5.42	-	12.52	-
	<b>Total</b>	<b>4931.87</b>	<b>4315.22</b>	<b>-</b>	<b>-</b>
(ii)	<b>On fixed deposit accounts</b>				
1.	Citibank	2.91	-	2.91	-
2.	Attijariwafa Bank	274.78	-	274.78	-
3.	Credit Du Maroc	639.16	-	639.16	-
4.	BMCE Banque Marocaine De Commerce Exterient	368.45	-	368.45	-
5.	BMCE Banque Marocaine Pourle Commerce ETL Industrie	1616.16	-	1616.16	-
6.	Societe Genevale Marocaine Des Bouques	557.02	-	557.02	-
7.	Banque Centrale Populaire	9477.59	-	9477.59	-
8.	Bank of Nova Scotia (SBLC)	76.98	-	76.98	-
9.	Bank of Nova Scotia (SBLC)	145.77	-	145.77	-
10.	Bank of Baroda	1141.00	-	1371.65	-
	<b>Total</b>	<b>14299.82</b>	<b>-</b>	<b>-</b>	<b>-</b>
(iii)	<b>Balance with banks in Escrow Account</b>	<b>13819.51</b>	<b>3614.27</b>	<b>26624.82</b>	<b>15628.90</b>

#### 4. Capital Commitment

(Rs. in Lacs)

Particulars	2010-11	2009-10
Estimated amount of contracts remaining to be executed on capital account (net of advances)	5182.78	5120.94

#### 5. Detail of investments purchase and sold during the year

(Value in Rs. Lacs)

S.No.	Description	No. of units purchased	Purchase value	No. of units sold	Sale value
1.	Reliance Money Manager Fund - Institutional Option - Daily Dividend Option	329710.49	3301.63	329710.49	3301.63
2.	Reliance Liquid Fund - Treasury Plan - Institutional Option - Daily Dividend Option	32710463.34	5000.58	32710463.34	5000.58
3.	Reliance Liquid Fund - Cash Plan Daily Dividend Option	58380797.06	6504.50	58380797.06	6504.50
4.	Reliance Liquidity Fund – Daily Dividend Reinvestment Option	117020464.91	11708.01	117020464.91	11708.01
5.	Birla Sun Life Cash Plus - Institutional Premium - Daily Dividend Reinvestment	166708989.05	16703.41	166708989.05	16703.41
6.	Birla Sun Life Saving Fund - Institutional - Growth	11728740.40	2100.61	11728740.40	2100.61
7.	Birla Sun Life Cash Manager – IP – Daily Dividend Reinvestment	73046922.21	7306.88	73046922.21	7306.88
8.	Kotak Liquid (Institutional Premium) - Daily Dividend	7251.64	0.89	7251.64	0.89
9.	Kotak Floater Short Term - Daily Dividend	9888145.59	1000.30	9888145.59	1000.30
10.	Fortis Overnight Fund – Institutional Daily Dividend	12997778.02	1300.17	12997778.02	1300.17
11.	HDFC Liquid Fund Premium Plan - Dividend - Daily Reinvestment	5689.92	0.70	5689.92	0.70
12.	HDFC Cash Management Fund - Saving Plan - Daily Reinvestment	7529477.04	800.87	7529477.04	800.87
13.	JP Morgan India Liquid Fund – Super Inst. Daily Dividend Plan – Reinvestment	20005779.64	2002.16	20005779.64	2002.16
14.	JP Morgan India Treasury Fund – Super Inst. Daily Dividend Plan – Reinvestment	7997022.35	800.41	7997022.35	800.41
15.	Templeton India Treasury Management Account Super Institutional Plan - Daily Dividend Reinvestment	2140837.96	21422.79	2140837.96	21422.79
16.	Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend Reinvestment	9994702.05	1000.63	9994702.05	1000.63
17.	IDBI Liquid Fund - Daily Dividend – Reinvestment	9005401.30	900.54	9005401.30	900.54
18.	SBI - Magnum Insta Cash Fund - Daily Dividend Option	11950895.77	2001.81	11950895.77	2001.81
19.	ICICI Prudential Liquid Super Institutional Plan - Dividend – Daily	4699503.88	4700.57	4699503.88	4700.57

S.No.	Description	No. of units purchased	Purchase value	No. of units sold	Sale value
20.	ICICI Prudential Flexible Income Plan Premium - Daily Dividend	2745338.91	2902.78	2745338.91	2902.78
21.	ICICI Prudential Flexible Income Plan Premium – Growth	1025973.51	1800.50	1025973.51	1800.50
22.	IDFC Cash Fund - Super Institutional Plan C - Daily Dividend	17997701.44	1800.22	17997701.44	1800.22
23.	IDFC Money Manager Fund - TP - Super Institutional Plan C - Daily Dividend	18001825.59	1800.45	18001825.59	1800.45
24.	L & T Liquid Institutional Daily Dividend Reinvestment Plan	9897611.16	1001.27	9897611.16	1001.27
25.	Axis Liquid Fund – Institutional Daily Dividend Reinvestment	25015.36	250.16	25015.36	250.16
26.	JM Money Manager Fund Super Plus Plan - Daily Dividend	1997731.06	200.10	1997731.06	200.10
27.	Religare Liquid Fund - Super Institutional Daily Dividend	15002193.64	1501.39	15002193.64	1501.39
28.	Peerless Liquid Fund – Super Institutional Daily Dividend	71556504.36	7156.72	71556504.36	7156.72
29.	BNP Paribas Overnight Fund – Institutional Daily Dividend	69034575.69	6905.53	69034575.69	6905.53
30.	DSP Black Rock Liquidity Fund - Institutional Plan – Daily Dividend	400474.37	4006.01	400474.37	4006.01
	<b>Total</b>	<b>763833517.71</b>	<b>117882.59</b>	<b>763833517.71</b>	<b>117882.59</b>

#### 6. Pre-operative expenditure (pending for allocation)

During the year, the Company has incurred some expenditure related to construction of fixed assets and therefore accounted for the same under Capital work in progress which will be allocated to fixed assets once it is capitalized. The break up of expenditures is as follows:

(Rs. in Lacs)

Particulars	2010-11	2009-10
Opening balance	339.94	1828.18
Add : Expenditure during the period		
Salaries, wages and bonus	-	202.87
Workmen and staff welfare expenses	-	-
Consumption of stores and spares	-	42.96
Travelling and conveyance	-	40.77
Insurance	-	1.17
Power and Fuel	-	248.92
Legal and professional fees	1.20	102.65
Miscellaneous expenses	-	29.62
Interest expenses	-	305.48
Bank charges	-	0.11
<b>Total</b>	<b>341.14</b>	<b>2802.73</b>
Less: Capitalised	-	2462.79
<b>Net pre-operative expenditure (pending for allocation)</b>	<b>341.14</b>	<b>339.94</b>

#### 7. Segment Information

##### Primary Segment: Business Segment

The Group's operating businesses are organized and managed separately according to the nature of products manufactured, traded and services provided. The five identified reportable segments are Own Manufactured Fertilisers, Own Manufactured Phosphoric Acid, Trading, Textile and Shipping.

The "Own Manufactured Fertilisers Segment" includes manufacture and marketing of urea for which price is fully controlled by Government of India (GOI) and distribution is partly controlled.

The "Own Manufactured Phosphoric Acid Segment" ( $P_2O_5$ ) includes manufacturing and marketing of Phosphoric Acid.

The "Trading Segment" includes the purchase and sale of Fertilisers and Agricultural Inputs and this activity, though different in risk perception from own manufactured Urea, is carried out mainly with an objective of providing Fertilisers/ Agricultural Inputs under one roof.

The "Shipping Segment" includes transportation of crude oil and liquid products through vessels owned and/ or hired by the Shipping Division.

The "Textile Segment" includes manufacturing and sales of synthetic and cotton yarn.

The "Others Segment" includes software business activities of the Group.

##### Secondary Segment: Geographical Segment

The analysis of geographical segment is based on the geographical location i.e., within India and outside India, of the customers.

## Segment Information

The following table presents segment revenues, results, assets and liabilities in accordance with AS-17 as on 31.3.2011.

(Rs. in Lacs)

Particulars	Own Manufactured Fertilisers		P <sub>2</sub> O <sub>5</sub>		Trading		Shipping		Textile		Others		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<b>Revenue</b>														
External Sales	241421.54	224078.07	41931.03	35821.50	160686.55	76108.89	30838.15	29703.62	34075.22	29602.88	58842.51	17419.39	567795.00	412734.35
Inter Segment Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Sales	241421.54	224078.07	41931.03	35821.50	160686.55	76108.89	30838.15	29703.62	34075.22	29602.88	58842.51	17419.39	567795.00	412734.35
<b>Results</b>														
Segment Result	36140.76	36724.73	3280.20	1325.59	9289.14	2207.04	4412.73	4122.22	3885.40	1242.43	(10639.37)	(4410.40)	46368.86	41211.61
Unallocated Expenses (net)	-	-	-	-	-	-	-	-	-	-	-	-	5286.39	4432.76
Operating Profit before Exceptional Items	-	-	-	-	-	-	-	-	-	-	-	-	41082.47	36778.85
Exceptional Items	-	-	-	-	-	-	-	-	-	-	-	-	278.87	278.87
Interest Expenses	-	-	-	-	-	-	-	-	-	-	-	-	11368.02	8881.13
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	4255.77	3531.62
Dividend Income	-	-	-	-	-	-	-	-	-	-	-	-	79.39	439.37
Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	12682.04	11417.16
Net Profit after Exceptional Items	-	-	-	-	-	-	-	-	-	-	-	-	21646.44	20730.42
Share in Profit of Associates	-	-	-	-	-	-	-	-	-	-	-	-	-	2.27
Share of Minority Interest in Losses	-	-	-	-	-	-	-	-	-	-	-	-	2412.68	990.19
Net Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	24059.12	21722.88
<b>Other Information</b>														
Segment Assets	186676.54	189302.17	29628.14	21658.66	19017.54	13716.78	147396.46	155403.08	27163.07	25587.22	57470.24	53021.09	467351.99	458689.00
Unallocated Assets	-	-	-	-	-	-	-	-	-	-	-	-	51326.38	53929.10
Total Assets	-	-	-	-	-	-	-	-	-	-	-	-	518678.37	512618.10
Segment Liabilities	15600.09	15073.51	11034.54	8739.25	822.84	2216.34	1645.53	3837.22	2392.88	1792.24	22986.30	15971.65	54482.18	47630.21
Unallocated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	302065.63	316620.29
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	356547.81	364250.50
Capital Expenditure (Including FEV impact)	5307.31	9443.58	1272.04	263.01	-	-	544.10	21144.47	318.56	292.18	2505.12	14277.34	9947.13	45420.58
Depreciation	16143.52	16305.19	978.61	2832.18	-	-	8881.28	7470.72	1647.32	1892.68	4513.98	3297.86	32164.71	31798.63
Unallocated Depreciation/Amortisation	-	-	-	-	-	-	-	-	-	-	-	-	122.71	93.51
Non-cash expenses other than Depreciation & Amortisation	-	-	-	-	-	-	-	59.28	-	-	-	-	-	59.28

**Secondary Segment Reporting (by Geographical Segments)**

The following is the distribution of the Company's consolidated revenue by geographical markets, regardless of where the goods were produced.

(Rs. in Lacs)

Particulars	2010-11	2009-10
Revenue within India	473780.92	331874.82
Revenue from outside India	94014.08	80859.53
<b>Total</b>	<b>567795.00</b>	<b>412734.35</b>

**Geographical segment wise receivables:**

(Rs. in Lacs)

Particulars	2010-11	2009-10
Receivables within India	59032.40	54001.74
Receivables from outside India	10387.02	11144.17
<b>Total</b>	<b>69419.42</b>	<b>65145.91</b>

The Company has common assets for producing goods for within India market and outside India markets. Hence, separate figures for assets/additions to fixed assets cannot be furnished.

**8. Gratuity and Other Post Employment Benefit Plans:**
**Gratuity**

The group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Scheme is funded with an insurance company in the form of a qualifying insurance policy in respect of Fertiliser and Shipping division of the Company.

The following tables summaries the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

**Profit and Loss Account**

Net employee benefit expense (recognised in Employee Cost)

(Rs. in Lacs)

Particulars	Gratuity	
	2010-11	2009-10
Current service cost	140.30	125.43
Interest cost on benefit obligation	86.72	81.28
Expected return on plan assets	(22.32)	(5.18)
Net actuarial (gain)/loss recognized in the year	18.51	(80.93)
Past Service Cost	90.94	-
Net benefit expense	314.15	120.60
Actual return on plan assets	47.36	1.57

**Balance Sheet**

Details of Provision for Gratuity

(Rs. in Lacs)

Particulars	Gratuity	
	2010-11	2009-10
Defined benefit obligation	1325.49	1111.04
Fair value of plan assets	1003.80	257.89
Plan asset/(liability)*	(321.69)	(853.15)

Changes in the present value of the defined benefit obligation are as follows:

(Rs. in Lacs)

Particulars	Gratuity	
	2010-11	2009-10
Opening defined benefit obligation	1111.04	1089.00
Interest cost	86.72	81.28
Current service cost	140.30	125.43
Past service cost	90.94	-
Benefits paid out of funds	(105.79)	(46.47)
Benefits paid by Company	(34.46)	(53.37)
Actuarial (gains)/losses on obligation	36.54	(84.53)
Effect of exchange rate changes	0.20	(0.30)
Closing defined benefit obligation	1325.49	1111.04

Changes in the fair value of plan assets are as follows:

(Rs. in Lacs)

Particulars	Gratuity	
	2010-11	2009-10
Opening fair value of plan assets	257.89	95.67
Expected return	22.32	5.18
Contribution by employer	809.82	207.11
Benefits paid	(105.79)	(46.47)
Actuarial gains/(losses) on obligation	18.03	(3.60)
Effect of exchange rate changes	1.53	-
Closing fair value of plan assets	1003.80	257.89

The Company expects to contribute Rs.137.01 lacs (approx.) to gratuity in 2011-12.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Gratuity (%)	
	2010-11	2009-10
Investments with insurer	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity and leave liability for the Company's plans are shown below:

Particulars	2010-11 %	2009-10 %
Discount Rate	8.00	7.75-8.00
Expected rate of return on assets	7.75 to 9.25	9.00-9.30
Employee turnover rate	1 to 30	1 to 20

The estimates of future salary increases, considered in actuarial valuation, takes into account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous four periods in respect of gratuity are as follows:

(Rs. in Lacs)

Particulars	Gratuity				
	2010-11	2009-10	2008-09	2007-08	2006-07
Defined benefit obligation	1325.49	1111.04	1089.00	905.87	897.31
Plan assets	1003.80	257.89	95.67	114.03	163.96
Surplus/(deficit)	(321.69)	(853.15)	(993.33)	(791.84)	(733.35)
Experience adjustment on plan assets – gain/(loss)	24.13	1.92	(1.69)	-	-
Experience adjustment on plan liabilities – (loss)/gain	(24.92)	(0.68)	(105.47)	-	-

Provident and other funds

Contribution to Defined Contribution Plans:

(Rs. in Lacs)

Particulars	2010-11	2009-10
Provident Fund/Pension Fund*	620.92	718.53
Superannuation Funds	88.37	80.07

\* Provident fund in respect of textile division (Previous year textile and shipping division) of the Company and Pension fund in respect of all divisions of the Company.

**Provident Fund**

The Company has set up provident fund trust, which is managed by the Company in respect of Fertiliser and Shipping division of the Company and as per the Guidance Note on implementing AS-15, Employee Benefits (revised 2005) issued by the Accounting Standard Board (ASB), provident funds set up by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan. Pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the provident fund liability. However, the Company has ascertained that at the year end there is no shortfall in the Provident Fund Trust.

## 9. Related Party Disclosures

During the year, the Company entered into transactions with the related parties. Those transactions along with related balances as at 31st March, 2011 and for the year then ended are presented in the following table.

List of related parties along with nature and volume of transactions is given below:

### (a) Joint Ventures

Indo Maroc Phosphore S.A., Morocco,

(Rs. In Lacs)

Nature of Transactions	2010-11		2009-10	
Reimbursement of Expenses	25.72	25.72	42.83	42.83
Outstanding balances as at the year end		22.39		34.29
Advances Receivables	22.39		34.29	

### (b) Associates

Zuari Investments Limited (ceased w.e.f. May 2009)

(Rs. in Lacs)

Nature of Transactions	2010-11		2009-10	
Services expenses	-	-	1.31	1.31
Rent income	-	-	2.53	2.53
Reimbursement of Expenses	-	-	0.43	0.43
Outstanding balances as at the year end		-		6.40
Receivables	-		6.40	

Note: Transactions and outstanding balance are furnished till the date Zuari Investments Limited was Company's associate.

### (c) Key Management Personnel and their relatives

Mr. Anil Kapoor

Mrs. Deepali Kapoor (Spouse)

Mr. Hemant Kapoor (Son)

Ms. Priyanka Kapoor (Daughter)

(Rs. in Lacs)

Nature of Transactions	2010-11		2009-10	
Remuneration paid to Managing Director		119.50		105.56
- Mr. Anil Kapoor	119.50		105.56	
Interest Income on Loan given to Managing Director		0.60		1.07
- Mr. Anil Kapoor	0.60		1.07	
Outstanding Balances as at the year end				
Loan Receivable		9.65		17.03
- Mr. Anil Kapoor	9.65		17.03	

Note: The transactions relating to reimbursement of actual expenses to/ from related parties have not been considered in the above disclosure.

10. Goodwill in the Balance Sheet as per the details given below represents goodwill of ISGN Corporation, ISGN Solutions Inc, CFCL Technologies Limited, Richmond entities and ISGN Fulfillment Services, Inc., and its subsidiaries. Such Goodwill has been tested for impairment using the cash flow projections that are based on most recent financials budgets/ forecasts approved by management.

(Rs. In Lacs)

Particulars	2010-11	2009-10
ISGN Corporation	2301.42	2395.88
ISGN Solutions, Inc.	2275.19	2368.57
CFCL Technologies Limited	358.72	358.72
Richmond entities	1545.58	1353.02
ISGN Fulfillment Services, Inc. and its subsidiaries	9937.46	10122.70
<b>Total</b>	<b>16418.37</b>	<b>16598.89</b>

## 11. Government grants and subsidies

- a) Nitrogenous Fertilizers are under the Concession Scheme as per New Pricing Scheme implemented w.e.f. April 1, 2003. The concession price and freight has been accounted for on the basis of notified prices, further adjusted for input price escalation/ de-escalation, as per known policy parameters of NPS - Stage III, applicable for the period from October 1, 2006 to March 31, 2010, extended thereafter provisionally till further orders. Accordingly, the impact of revised concession price has been accounted for.

Contribution from sale of surplus ammonia has been accounted for in accordance with the known policy parameters. The current year subsidy income is inclusive of Rs.1138.84 lacs (Previous Year Rs.3734.27 lacs) being the subsidy income, pertaining to earlier years, determined during the year.

- b) Subsidy on traded fertilisers has been accounted based on Nutrient Based Subsidy Policy as notified by the Government of India.

The current year subsidy income is inclusive of Rs.167.61 lacs (Previous Year Rs. Nil) being the subsidy income, pertaining to earlier years, determined during the year

- c) The Textile Division of the Company is eligible for interest concession under the TUFS (Technology Upgradation Fund Scheme) of the Government of India. Accordingly, the Company has availed interest concession of Rs.433.40 lacs (Previous year Rs.455.66 lacs) during the year and reduced the same from interest expenses.

## 12. Leases

### (i) Assets taken on lease

- (a) The Group has taken certain fixed assets on finance lease of Rs.32.21 lacs (Previous year Rs. 577.03 lacs) on finance lease. The lease payment made during the year amounts to Rs.317.49 lacs (Previous year Rs.284.72 lacs), out of which Rs.198.71 lacs (Previous year Rs.243.17 lacs) has been adjusted against Principal and Rs.118.78 lacs (Previous year Rs.41.55 lacs) has been shown as Finance Lease Charges. Further, the Group has renegotiated the terms of the finance lease with the lessor. Accordingly, the fixed assets taken on finance lease amounting to Rs.176.65 lacs (Previous Year Rs. Nil) have been decapitalised in the books of account. The interest rate for various leases varies from 10% to 28%. There is no renewal and escalation clause as well as restriction imposed in the lease agreement. There are no subleases. The break up of minimum lease payment outstanding as at March 31, 2011 is as follows:

(Rs. in Lacs)

Period	2010-11			2009-10		
	Minimum Lease Payment	Principal	Finance Lease Charges	Minimum Lease Payment	Principal	Finance lease charges
Payable within one year	140.95	55.67	85.28	275.04	202.34	72.70
Payable after one year but before 5 years	398.21	142.35	255.86	523.67	308.26	215.41
Payable after 5 years	222.04	160.94	61.09	221.20	191.51	29.68

- (b) The Group has entered into Operating Lease Agreements for the premises which are non- cancelable. The lease payments recognised in the statement of Profit and Loss Account during the period amounts to Rs.3688.02 lacs (Previous year Rs.1777.08 lacs). The renewal of lease will be as per mutual understanding of lessee and lessor and there is no escalation clause. There are no restrictions imposed by lease arrangements and there are no subleases. The break up of minimum lease payment outstanding as at March 31, 2011 is as follows:

(Rs in Lacs)

Period	Minimum Lease Payments	
	2010-11	2009-10
Payable within one year	3182.94	3329.89
Payable after one year but within five years	7859.29	7798.19
Payable after five years	3210.01	2889.75

- (c) The lease payments, other than cases covered in point no. (b) above i.e. non - cancelable leases, recognised in the statement of Profit and Loss Account during the period amounts to Rs.745.70 lacs (Previous year Rs.1081.18 lacs). The renewal of lease will be as per mutual understanding of lessee and lessor and there is no escalation clause. There are no restrictions imposed by lease arrangements.

### (ii) Assets given on lease

- (a) The Group has sub-leased office premises under non cancellable operating leases. The lease terms range from 6 months to two years.

Rent income for such operating leases recognized in the profit and loss account for the year is US \$ 327,232 (Rs.149.67 lacs) (Previous Year US\$ 358,959 (Rs.172.17 lacs)).

Future minimum lease payments are as follows:

(Rs. in Lacs)

Particulars	2010-11	2009-10
Not later than one year	88.20	180.24
Later than one year but not later than 5 years	144.23	360.87
Later than five years	-	-

- (b) The lease income, other than cases covered in point no. (a) above i.e. non - cancelable leases, recognised in the statement of Profit and Loss Account during the period amounts to Rs.4.05 lacs (Previous year Rs.4.26 lacs). The renewal of lease will be as per mutual understanding of lessee and lessor and there is no escalation clause. There are no restrictions imposed by lease arrangements.

### 13. Acquisition

- (a) ISGN Fulfillment Services Inc. {Formerly Known As Fiserv Fulfillment Services Inc.(FFS)}
- Based on the Share purchase agreement entered on September 28, 2009 among CFCL Technologies Ltd., its subsidiary ISGN Solutions Inc., Fiserv Solutions Inc., Fiserv Inc. and FFS, effective December 12, 2009, ISGN Solutions Inc., acquired 100% of outstanding paid up share capital of FFS, from Fiserv Solutions Inc.
- During the year, the Group has settled all payment obligations with reference to the purchase consideration payable including working capital adjustments due to Fiserv Solutions Inc., in respect of the share purchase agreement entered on September 28, 2009 and accordingly paid the final settlement amount on FFS acquisition.
- The additional consideration of US\$ 478,280 (Rs.218.77 lacs) arising on account of full and final settlement has been treated as Addition to Goodwill on consolidation during the year ended December 31, 2010.
- b. Richmond Title Services
- Effective August 16, 2008, pursuant to the membership interest purchase agreement with the sellers, ISGN Solutions Inc. acquired the entire membership interest in Richmond Title Genpar, LLC, Richmond Investors LLC, Richmond Title Services LP, Flex Agents Signing Team LLC and Richmond Title Services LLC.
- Pursuant to the final settlement agreement dated October 27, 2010 the Group has paid an additional amount of US\$ 550,000 (Rs.251.57 lacs) towards full and final settlement of all earn-out obligations due to the sellers of aforesaid entities and the same has been accounted as additional goodwill during the year ended December 31, 2010.

### 14. Employee Stock Option Plan

- (a) Holding Company
- In terms of approval of shareholders accorded at the Annual General Meeting held on 27th August, 2010 and in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, (SEBI Guidelines) the Company formulated CFCL Employees Stock Option Scheme, 2010 ("Plan") for specified categories of employees and managing director of the Company. The Company has constituted a Compensation Committee comprising of majority of independent directors to administer the Plan. As per the Plan, 41,62,000 Stock Options can be issued to managing director and other specified categories of employees of the Company. The options are to be granted at market price. As per SEBI Guidelines, the market price is taken as the closing price on the day preceding the date of grant of options, on the stock exchange where the trading volume is the highest. Each option, upon vesting, shall entitle the holder to acquire 1 equity share of Rs.10. Details of the scheme are as under:

Particulars	Tranche 1	Tranche 2
Date of grant	16-Sept-2010	22-Jan-2011
Date of Board Approval	08.05.2010	08.05.2010
Date of Shareholder's approval	27.08.2010	27.08.2010
Number of options granted	2,850,000	300,000
Method of Settlement (Cash/Equity)	Equity	Equity
Exercise Period	5 years from the date of vesting	5 years from the date of vesting
Vesting Conditions	Continued employment and individual performance	Continued employment and individual performance

#### Vesting Schedule:

Vesting Date	Tranche 1	Tranche 2
1 Year from the date of grant	15%	15%
2 Years from the date of grant	15%	15%
3 Years from the date of grant	20%	20%
4 Years from the date of grant	25%	25%
5 Years from the date of grant	25%	25%

The details of activities have been summarized below:

Particulars	2010-11	
	Tranche 1	Tranche 2
Outstanding at the beginning of the year	-	-
Granted during the year	2,850,000	300,000
Forfeited during the year	42,500	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	2,807,500	300,000
Exercisable at the end of the year	-	-
Weighted average remaining contractual life (in years)	5.8	5.8
Weighted average exercise price (In Rs.)	73.50	76.85

Weighted average fair value of options granted on September 16, 2010 and January 22, 2011 is Rs. 27.12 and Rs. 28.84 respectively.

The details of exercise price of stock options outstanding at the end of the year are:

Range of exercise prices	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (In Rs.)
73.50	2,807,500	5.80	73.50
76.85	300,000	5.80	76.85

#### Stock Options granted

The weighted average fair value of stock options granted during the year was Rs. 27.29. The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

Particulars	Tranche 1	Tranche 2
Weighted average share price	73.50	76.85
Exercise Price	73.50	76.85
Expected Volatility	63.06%	63.94%
Life of the options granted (Vesting and exercise period) in years	5.80	5.80
Average risk-free interest rate	7.79%	8.05%
Expected dividend yield	7.02%	7.02%

The expected volatility was determined based on historical volatility data. For calculating volatility, the Company has considered the daily volatility of the stock prices of the Company on National Stock Exchange over a period prior to the date of grant, corresponding with the expected life of the options.

In FY 2010-11, CFCL Employees Welfare Trust ("Trust") was constituted, *inter alia*, for the purpose of subscribing/acquiring equity shares of Chambal Fertilisers and Chemicals Limited from the Company /Secondary market, to hold the shares and to allocate/ transfer these shares to eligible employees of the Company from time to time on the terms and conditions specified under the Plan. The Board of Directors at its meeting held on May 8, 2010 had approved grant of financial assistance upto Rs.3000 lacs by the Company to Trust in such manner and on such terms as agreed between the trustee(s) of the Trust and Managing Director of the Company for the purpose of subscribing/acquiring shares of the Company. The outstanding loan to the trust as at March 31, 2011 is Rs.677.10 lacs. Trust has purchased 847,002 equity shares of the Company from the open market, out of interest free loan provided by the Company till March 31, 2011.

#### (b) Subsidiary Company

The Board of Directors of CFCL Technologies Limited has approved 2007 Share Option Plan ('Plan') administered in USA for granting stock options to certain employees of its subsidiary companies. A Committee has been constituted to administer the plan alongwith the Board of the subsidiary and to determine fair value which would be the exercise price for such options. A total of 1,800,000 Ordinary shares were reserved pursuant to 2007 Share Option plan.

The fair value of the equity shares has been determined by the management on the date of the grant for the Plan based on a valuation by an independent appraiser. As per the terms of the Plan, the exercise price equals the fair value. The subsidiary has carried out grant date option valuation based on the Black-Scholes valuation model. The fair value of the option is recognized as Deferred Compensation Costs and is being amortized over the vesting period of 48 months as per the vesting schedule, provided that the holders of the options would continue to be employees on the vesting date. The contractual life of the options granted under the Plan is 4 years from the grant date. The weighted average remaining life of options is 5.82 years (December 2009 8.49 years).

The following scheme is in operation.

Particulars	2010	2009
Date of grant	August 5, 2010	July 7, 2009, November 3, 2009
Date of Board Approval	August 5, 2010	July 16, 2009, November 3, 2009
Date of Shareholder's approval	-	-
Number of options granted	79,500	696,009
Options forfeited during the period	190,000	72,877
Method of Settlement (Cash/Equity)	Equity	Equity
Vesting Period	48 months	48 months
Exercise Period	Exercisable on vesting	Exercisable on vesting
Vesting Conditions	Service conditions	Service conditions

**Note:** The options are exercisable from the vesting date upto a maximum period of 10 years from the date of grant.

The details of activity under the plan have been summarized below:

Particulars	2010		2009	
	Number of options	Weighted Average Exercise Price(US \$)	Number of options	Weighted Average Exercise Price(US \$)
Outstanding at the beginning of the year	1,646,947	2.15	1,023,815	1.58
Granted during the year	79,500	3.91	696,009	2.93
Forfeited during the year	190,000	3.18	72,877	1.58
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	1,536,447	2.11	1,646,947	2.15
Exercisable at the end of the year	1,121,960	1.89	752,424	2.15
Weighted average fair value of options granted on the date of grant		0.8945		0.9157

The details of exercise price for stock options outstanding at the year end are as follows:

Range of exercise prices	Number of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price
US \$ 1.58 to 3.91	1,536,447	5.82	US \$ 2.11

The weighted average fair value of stock options granted during the year was US \$ 0.8945 (Previous year US \$ 0.9157). The Black scholes option pricing model has been used for computing the weighted average fair value considering the following inputs.

Particulars	2010-11	2009-10
Weighted average share price (US \$)	3.91	2.09 to 3.91
Exercise price (US \$)	3.91	2.09 to 3.91
Expected volatility	0.5984	0.5984 to 0.6538
Historical volatility	-	-
Life of options granted (Vesting and exercise period) in years	Note (a)	Note (a)
Expected dividend	Nil	Nil
Average risk-free interest rate	2.09%	1.65% to 2.09 %
Expected dividend rate	-	-

**Notes:**

- Vesting period is 4 years and exercise period is 10 years from the grant date
- The expected volatility has been calculated based on the share prices of the comparable companies over the previous 3/3.17/3.50/3.92/4 years
- Risk free rate of return has been calculated using 3/3.17/3.50/3.92/4 years Treasury bond yield as on the date of respective grant.

Effect of the employee share-based payment plans on the profit and loss account and on its financial position:

(Rs in Lacs)

Particulars	2010	2009
Total Employee Compensation Cost pertaining to share-based payment plans	614.45	701.84
Compensation Cost pertaining to equity-settled employee share-based payment plan included above for previous year	232.93	238.87
Compensation Cost pertaining to equity-settled employee share-based payment plan included above for current year	149.48	3.62
Liability for employee stock options outstanding as at year end	-	-
Deferred Compensation Cost	232.05	459.35

The estimated weighted average fair value of options granted is US \$ 0.8945 (Previous year US \$ 0.9157) per share. This was calculated by applying the Black-Scholes option pricing model with the following inputs:

Particulars	2010	2009
Fair value per share (US \$)	3.91	2.09 to 3.51
Exercise price (US \$)	3.91	2.09 to 3.51
Average risk-free interest rate	2.09%	1.65 % to 2.09 %
Expected volatility of share price	0.5984	0.5984 to 0.6538
Expected life of options granted (in years)	3	3 to 3.92
Expected dividend yield	Nil	Nil
Value of the options (US \$)	1.834	0.926 to 1.834

Expenses arising from the Plan	US\$ 334,338 (Rs.149.48 lacs), {Previous Year US \$ 50,014 (Rs.23.99 lacs)}
Closing balance of liability for the Plan	US\$ 855,308 (Rs.382.41 lacs) {Previous Year US \$ 520,970 (Rs.242.49 lacs)}

The following table provides details in respect of range of exercise price and weighted average remaining contractual life (in months) for the options outstanding at the year end.

Range of exercise price	Shares*	Weighted average remaining life
US \$ 1.58 to \$ 3.91	1,536,447	5.82 years

\* (includes 486,009 options granted to directors including non-executive director (Previous year 486,009)

Since the parent of the Group is using the intrinsic value method, the impact on the reported net profit and earnings per share by applying the fair value based method

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan, the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows:

(Rs in Lacs)

Particulars	2010-11
Profit as reported	24059.12
Add: Employee stock compensation under intrinsic value method	-
Less: Employee stock compensation under fair value method	178.11
Proforma profit	23881.01
<b>Earnings Per Share</b>	
<b>Basic &amp; Diluted</b>	
- As reported	5.78
- Proforma	5.74

## 15. Preference shares

### a) Series D Preference Shares

Pursuant to a share purchase agreement dated August 25, 2010, entered into between CFCL Technologies Limited (CTL), ISGN Corporation, CFCL Ventures Limited, ISGN Solutions INC, ISG Novasoft Technologies Limited, Inuva Info Management Private Limited, each of the investors namely NEA FDI Ltd. and NEA Indo US Ventures LLC and CFCL Overseas Limited, the Board of Directors of CFCL Technologies Limited issued the following Series D Preference Shares, as under:

Name of the Investor	Par Value per share (in US\$)	Issue Price per share (in US\$)	No. of Shares issued	Share Capital (US\$)	Securities premium (US\$)	Total Value (in US\$)
NEA FDI Inc.	0.0001	12.7083	218,728	22 (Rs.0.010 lacs)	2,779,639 (Rs.1271.41 lacs)	2,779,661 (Rs.1271.42 lacs)
NEA IndoUS Ventures, LLC	0.0001	12.7083	54,681	5 (Rs.0.002 lacs)	694,897 (Rs.317.85 lacs)	694,902 (Rs.317.85 lacs)
			273,409	27 (Rs.0.01 lacs)	34,74,536 (Rs.1589.26 lacs)	34,74,563 (Rs.1589.27 lacs)

### b) Series E Preference Shares

Pursuant to a share purchase agreement dated January 19, 2011, entered into between CFCL Technologies Limited, ISGN Corporation, CFCL Ventures Limited, ISGN Solutions Inc., ISG Novasoft Technologies Limited, Inuva Info Management Private Limited and each of the investors, namely NEA FDI Ltd., NEA – Indo US Ventures, LLC and CFCL Overseas Limited, the Board of Directors of CFCL Technologies Limited issued the following Series E Preference Shares:

Name of the Investor	Par Value per share (in US\$)	Issue Price per share (in US\$)	No. of Shares issued	Share Capital (US\$)	Share Premium (US\$)	Total Value (in US\$)
NEA FDI Ltd.	0.0001	12.7083	328,092	33 (Rs.0.015 lacs)	4,169,459 (Rs.1864.17 lacs)	4,169,492 (Rs.1864.18 lacs)
NEA IndoUS Ventures, LLC	0.0001	12.7083	82,022	8 (Rs.0.004 lacs)	1,042,352 (Rs.466.04 lacs)	1,042,360 (Rs.466.04 lacs)
			410,114	41 (Rs.0.02 lacs)	5,211,811 (Rs.2330.21 lacs)	5,211,852 (Rs.2330.22 lacs)

- c) Series A, Series B, Series C, Series D and Series E Preference shares of CFCL Technologies Limited are convertible into Ordinary shares in the ratio of 1:1 subject to adjustments set forth in the Articles of Association of the CFCL Technologies Limited. While the holders of Series A, Series B, Series C, Series D and Series E Preference shares may generally elect to convert into Ordinary shares at any time, however, all Series A, Series B, Series C, Series D and Series E Preference Shares will automatically convert under the following two circumstances:
- (i) immediately prior to Qualified IPO (as defined in the Articles of Association of CFCL Technologies Limited).
  - or
  - (ii) with the vote or written consent of the holders of a majority of the then outstanding Series A and Series B Preference Shares, voting together on an as-converted basis.

Preference Shareholders carry voting rights and have representation in the Board of directors as per the terms of the Articles of Association. Further preference shareholders carry preferential dividend rights over ordinary shares if declared by the Board of directors and priority over ordinary shares in the event of any liquidation, dissolution or winding up of the affairs of CFCL Technologies Limited.

At any time after May 18, 2011, the members holding not less than a majority of the then outstanding Series A and Series B preference shares voting together on an as converted basis, may redeem all the preference shares for cash at the greater of original purchase price per share or the fair market value of such preference shares as of the redemption date as determined by independent third-party investment bank or similar such third party service provider as mutually agreed.

16. During the year, Government of India has come up with guidelines for buy back of fertilizer bonds issued to the fertilizer companies in two tranches and would also compensate part of loss suffered by the fertilizer companies on these bonds. Accordingly, the Company has sold 50% of its holding in "Fertilizer Companies Government of India Special Bonds" at a specified price as determined by the Reserve Bank of India (RBI) which has resulted into a loss of Rs.2681.55 lacs, against which the Company had already provided for mark to market losses of Rs.2155 lacs. However, loss of differential amount has not been charged to Profit and Loss Account as the Company is hopeful of getting at least the differential amount reimbursed by the Government of India.

Further, since the mechanism for determination of such compensation has not been notified by Government of India, the Company has not accounted for entire compensation as it is not prudent in terms of Accounting Standard 9- Revenue Recognition / Accounting Standard 12-Accounting for Government Grants, notified by Companies (Accounting Standards) Rules, 2006 (as amended) till the time of final determination of compensation.

#### 17. Unsecured Loans of Software Subsidiaries

- a) Effective April 1, 2007, ISGN Corporation, USA {formerly known as NovaSoft Information Technology Corporation, U.S.A (NITC)} acquired 100% of controlling interest in erstwhile Dynatek Inc. (since merged with ISGN Corporation, USA), for a total consideration of US\$20 million (Rs.8942.00 lacs). The consideration was discharged by payment in cash of US\$ 11 million (Rs.4918.10 lacs) and by way of issue of Convertible Promissory Notes (CPNs) of US\$ 9 million (Rs.4116.60 lacs) carrying an interest rate of 2.5% per annum.

Pursuant to the terms and conditions of the share purchase agreement the consideration payable has been reduced by an amount of US \$ 746,120 (Rs.333.59 lacs). Consequently the face value of the CPNs stands reduced to US \$ 8,253,880 (Rs.3690.31 lacs)

In accordance with the original terms of the CPNs

- Principal and accrued interest shall become due and payable on May 21, 2010.
- Before the maturity date, the holder of CPN (lenders) have the sole option to convert the entire amount of principal and accrued interest into Ordinary shares of CFCL Technologies Limited (CTL).
- On the maturity date, unless earlier converted into shares, CTL at its sole option shall discharge the obligation by payment of cash or by converting into Ordinary shares of itself.
  - During the year, CTL sent a Notice of conversion to the lenders and the lenders sent a Notice of repurchase to CTL. The parties negotiated a Mutual Rescission and Forbearance and restructuring agreements entered on July 21, 2010 between CTL and lenders, described below.
  - Forbearance and Restructuring agreement entered on July 21, 2010 provided the following:
    - o Both parties agreed that to the extent there may have been an event of default under the original CPN, it was waived
    - o Lender agrees that the minimum amount due after conversion and repurchase is US\$ 4,500,000 (Rs.2011.95 lacs) and the existing obligation owed to lenders shall be restated as set forth in the agreement
    - o Commencing June 25, 2010, simple interest of 6% is payable on the minimum amounts due. The first payment of interest will be made along with the first installment and thereafter, interest will be paid quarterly
    - o Payment dates : First payment date –August 30, 2010 before which 50% of principal amount of notes due will be converted and repurchased for US\$ 2,250,000 (Rs.1005.97 lacs); Second payment date –May 21, 2011 before which 25% of principal amount of notes due will be converted and repurchased for US\$ 1,125,000 (Rs 502.99 lacs); final payment before May 21, 2012 before which the remaining 25% of principal amount of notes due will be converted and repurchased for US\$ 1,125,000 (Rs.502.99 lacs)

- o In the event of an IPO or sale of shares happening before May 21, 2012, the outstanding principal amount as on the date of the sale or IPO shall be converted into shares and repurchased for a guaranteed minimum of US\$ 14.89 (Rs.665.73) per share.
- o On the first payment date, CTL shall pay the lender the interest of 6% from June 25, 2010 to that date and also a sum of US\$ 40,000 (Rs.17.88 lacs) towards the attorney's fee and expenses incurred on restructuring the agreement

Further, in the event of exercise of conversion of Notes into ordinary shares, the outstanding principal amount will continue to be convertible into Ordinary shares at a conversion price of US \$ 27.2727 (Rs.1219.36) per Ordinary share as per the original terms of the Note.

CTL had paid \$ 2,250,000 (Rs1005.98 lacs) based on forbearance and restructuring agreement dated July 21, 2010 and hence the balance liability has been restated as per the covenants of the agreement. Accordingly, CTL has also reduced the carrying amount of goodwill by US \$1,870,538 (Rs.855.58 lacs) being the difference between the original face value of the amount settled less US\$2,250,000 (Rs.1029.15 lacs) the actual payout made as per the terms of the agreement.

- b) CTL has issued convertible promissory notes (CPNs) amounting to US\$ 3,145,000 (Rs.1406.13 lacs) [Previous year: US\$ 3,145,000 (Rs.1463.84 lacs)] for the acquisition of balance 20% minority stake in erstwhile MortgageHub.Com Inc. (MH) and settlement of the contingent consideration agreed at the time of initial acquisition of 80% stake of MH and net assets of Praxis Technology Group LLC during the year ended March 31, 2006. The CPNs do not carry any interest. The CPNs are convertible into ordinary shares of CTL at a conversion price of US\$ 9.25 (Rs.413.56) per share.

In accordance with the terms of CPNs

– The CPNs shall be due for repayment on May 7, 2011.

– Before the maturity date, the lenders have the sole option to convert the entire amount of principal into Ordinary shares of CTL.

– On the maturity date, unless earlier converted into shares, CTL at its sole option discharge the same by payment of cash or by converting into Ordinary shares of itself as per the terms of the agreement.

In the event the conversion option is exercised, the CPNs are convertible into 340,000 Ordinary shares at a conversion price of US\$ 9.25 (Rs.413.56) per Ordinary share.

- c) CFCL Technologies Ltd had issued to Fiserv Solutions Inc., a Non-convertible Promissory Note of US \$10 million (Rs.4654.50 lacs) towards settlement of part purchase consideration with respect to the acquisition of 100% interest in erstwhile Fiserv Fulfillment Services Inc. (FFS) and its subsidiaries . The Company had the option to pre-pay the Note within 120 days from date of acquisition of FFS and its subsidiaries (i.e December 12, 2009). CFCL Technologies Limited had got the terms re-negotiated with Fiserv Solutions Inc., to extend the prepayment period upto December 15, 2010. In the event of payment on or before December 15, 2010, the Company needs to pay Fiserv Solutions Inc. an interest computed @ LIBOR plus 400 Basis points from April 11, 2010 computed on the Note value of US \$10 million (Rs.4654.50 lacs). In the event of non-payment of the Note on or before December 15, 2010, the note value will get enhanced to US \$ 25 million (Rs.11636.25 lacs) and this needs to be repaid on or before December 11, 2013 along with interest @ LIBOR plus 400 basis point, effective April 11, 2010. The interest needs to be computed on the increased Note value of US \$25 million (Rs.11636.25 lacs).

The Group had availed the prepayment option of the Note of US\$ 10 million (Rs.4654.50 lacs) due to Fiserv Solutions Inc., and had paid the Note with interest on December 15, 2010.

## 18. Deferred Tax Assets:

Deferred tax assets are calculated with reference to the business loss and unabsorbed depreciation as per tax and other timing differences. However, deferred tax asset has not been recognized as the management believes that there is no virtual certainty that sufficient future taxable income will be available to realize the deferred tax asset for the period ended 31st December, 2010 except in case of an Indian subsidiary. Deferred tax assets have been recognized as the Indian subsidiary has been generating profits and is expected to maintain a profitable trend in the ensuing future as well. Breakup of deferred tax assets is as follows:

(Rs. in Lacs)

Particulars	
On account of 43B items under the Income tax Act	72.51
Depreciation	0.68
<b>Total</b>	<b>73.19</b>

Deferred tax assets and deferred tax liabilities across various countries of operations are not set off against each other as the Group does not have the legal right to do so.

**19. Details of loans and advances to firms/ companies in which directors are interested and Investments by the loanee in the shares of the Company (as required by Clause 32 of Listing Agreement).**

(Rs in Lacs)

Particulars	Outstanding amount as at *		Maximum amount outstanding during financial year	
	31.03.11	31.03.10	2010-11	2009-10
Loans and advances to firms/ Companies in which directors are interested				
- The Oudh Sugar Mills Limited	1000.00	1000.00	1000.00	1000.00
- Upper Ganges Sugar and Industries Limited	1000.00	1000.00	1000.00	1000.00
- Gobind Sugar Mills Limited	-	-	-	1000.00
- Zuari Investments Limited	1000.00	-	1000.00	-
Investments by the above mentioned loanees in the shares of the Company				
- Upper Ganges Sugar and Industries Limited	70.42	70.42	70.42	70.42
- Gobind Sugar Mills Limited	-	0.19	-	0.19
- Zuari Investments Limited	40.30	-	40.30	-

\* Repayable within one year

**20. Details of the Company's share in Joint Ventures included in the Consolidated Financial Statement are as follows:**

(Rs in Lacs)

Particulars	2010-11	2009-10
<b>SOURCES OF FUNDS</b>		
Shareholders Fund	-	-
Reserves & Surplus (Post Acquisition)	11193.23	10413.57
<b>Loan Funds</b>		
Secured Loans	-	17.32
Unsecured Loans	-	-
<b>Total</b>	11193.23	10430.89
<b>APPLICATION OF ASSETS</b>		
<b>Fixed Assets</b>		
Gross Block	36921.02	39539.59
Less: Accumulated Depreciation	31211.82	33369.26
Net block	5709.20	6170.33
Capital Work in Progress ( including capital advance)	390.20	143.90
<b>Intangible Assets</b>	-	26.69
<b>Current Assets, Loans &amp; Advances</b>		
Inventories	2176.25	3533.23
Sundry Debtors	3374.01	2226.56
Cash & Bank Balances	16571.91	6600.27
Loans & Advances	1404.57	8999.61
<b>Less: Current liabilities &amp; Provisions</b>		
Current Liabilities	11004.69	8739.25
<b>Net Current Assets</b>	12522.05	12620.42
<b>Total</b>	18623.45	18961.34
<b>INCOME</b>		
Income from Operations	41931.03	35821.50
Other Income	867.27	188.24
<b>EXPENDITURE</b>		
Raw Material Consumed	27723.67	20453.45
Personnel Expenses	1290.04	847.71
Manufacturing/Operating & Other Expenses	7835.95	8279.46
Depreciation	978.61	2832.18

(Rs in Lacs)

Particulars	2010-11	2009-10
Financial Charges	269.53	106.97
(Increase)/decrease in stocks	1049.05	2006.70
<b>(Loss)/Profit Before Tax</b>	<b>3651.45</b>	<b>1483.27</b>
Provision for Tax :		
Current Tax	803.69	240.29
Deferred Tax		
<b>Net (Loss)/Profit After Tax</b>	<b>2847.76</b>	<b>1242.98</b>
Capital Commitment	-	250.17

21. Excise duty on sales amounting to Rs.341.67 lacs (Previous year Rs.189.77 lacs) has been reduced from sales in profit & loss account & excise duty on (increase)/decrease in stock amounting to Rs.59.80 lacs (previous year Rs. Nil) has been considered as expense in schedule 22 of the financial statements.
22. Figures pertaining to the Subsidiaries and Joint Venture have been reclassified wherever considered necessary to bring them in line with the Company's financial statements.
23. Previous Year's figures have been regrouped and/ or rearranged wherever necessary to conform to this year's classifications.
24. The current period figures of CFCL Technologies Limited and its subsidiaries are not comparable with those of previous year to the extent of the acquisitions made by CFCL Technologies Limited and its subsidiaries. The previous financial period was for nine months and hence the Profit & Loss Account of the previous period is not comparable with that of the current year which is for a period of 12 months.

As per our report of even date

For and on behalf of the Board of Directors of  
Chambal Fertilisers and Chemicals LimitedFor S.R. BATLIBOI & Co.  
Firm's Registration No. 301003E  
Chartered AccountantsAnil Kapoor  
Managing DirectorH.S. Bawa  
Vice ChairmanS.K. Poddar  
Chairmanper Manoj Gupta  
Partner  
Membership No - 83906Abhay Baijal  
Vice President - FinanceM.S. Rathore  
Vice President - Legal,  
Corporate Communication & SecretaryPlace: Gurgaon  
Date: May 10, 2011Place: New Delhi  
Date: May 10, 2011



**CHAMBAL FERTILISERS AND CHEMICALS LIMITED**

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

**PROXY FORM**

I/We .....of .....in the district of .....being a member/ members of the above named Company, hereby appoint Mr./Mrs.....of ..... in the district of .....or failing him/her Mr./Mrs. ....of .. .....in the district of .....as my/our proxy to attend and vote for me/us and on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held at 1000 hours on Friday, the 16<sup>th</sup> day of September, 2011 at its Regd. Office at Gadepan, Distt. Kota (Rajasthan), PIN - 325 208 and any adjournment thereof. Signed this September ..... day of .....2011.

Signature .....



Ledger Folio / Client ID No. ....DP ID No. ....

No. of Shares held .....

**Note : The proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the scheduled time for holding the meeting.**



**CHAMBAL FERTILISERS AND CHEMICALS LIMITED**

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

**ATTENDANCE SLIP**

*(Please complete the Attendance Slip and hand it over at the entrance of the Meeting Hall).*

I hereby record my attendance at the Twenty Sixth Annual General Meeting of the Company being held on September 16, 2011.

Member's/Proxy's name (In Block Letters)

Signature of Shareholder/Proxy

Ledger Folio / Client ID No. ....DP ID No. ....

No. of Shares held .....



CHAMBAL FERTILISERS AND CHEMICALS LIMITED  
E-COMMUNICATION REGISTRATION FORM

Folio No. (FOR PHYSICAL SHARES) : \_\_\_\_\_

Name of 1st Registered Holder : \_\_\_\_\_

Name(s) of Joint holder(s) : \_\_\_\_\_

: \_\_\_\_\_

: \_\_\_\_\_

Registered Address : \_\_\_\_\_

: \_\_\_\_\_

: \_\_\_\_\_

: \_\_\_\_\_

E-mail ID (to be registered) : \_\_\_\_\_

I, shareholder of Chambal Fertilisers and Chemicals Limited agree to receive communication from the Company in electronic mode. Please register my above e-mail in your records for sending communication through e-mail.

Date: \_\_\_\_\_

Signature \_\_\_\_\_

First holder

**Notes:**

1. Shareholder(s) is/are requested to keep the Company informed as and when there is any change in the e-mail address.
2. In case, shares are held in electronic form, kindly register your email particulars with your Depository Participant.

Book-Post

*If undelivered, please return to:*



**Chambal Fertilisers and Chemicals Limited**

“Corporate One” First Floor,

5, Commercial Centre, Jasola,

New Delhi-110 025