

**BOARD OF DIRECTORS****Sanjay Dalmia****Anurag Dalmia****Neelabh Dalmia****G A Tadas**

Nominee (IDBI)

**R W Khanna**

Nominee (Exim Bank)

**Dr. B C Jain****Jagdish Capoor****H H Faruqi****Naresh Chandra****Mahesh Kheria**

(Alt. to Mr. S H Ruparell)

**S K Mukherjee****P Sampath**

Joint Managing Director

**R S Jalan**

Joint Managing Director

**Tej Malhotra**

Sr. Executive Director (Operations)

**SECRETARIES****J P Mehrotra****Sr. General Manager (Finance) &  
Company Secretary****Bhwneshwar Mishra****Jt. Company Secretary & Compliance Officer****REGISTERED OFFICE**

"GHCL HOUSE"

Opp. Punjabi Hall,

Navrangpura,

Ahmedabad -380 009 (Gujarat)

**CORPORATE OFFICE**

"GHCL House"

B-38, Institutional Area,

Sector - 1

Noida - 201 301 (UP)

**SUBSIDIARIES**

Colwell and Salmon Communications (India) Limited

Colwell &amp; Salmon Communications Inc, USA

**AUDITORS**

Jayantilal Thakkar &amp; Co.

Rahul Gautam Divan &amp; Associates

**WORKS****SODA ASH**

Village - Sutrapada,

Near Veraval,

Distt. Junagarh - 362 256

Gujarat

**SALT REFINERIES**

a) Ayyakaramulam

Kadinalvayal - 614 707

Distt. Nagapattinam

Tamilnadu

b) Nemeli Road,

Thiruporur - 603 110

Tamilnadu

**TEXTILES**

a) Samayanallur P O

Madurai -625 402

b) Thaikesar Alai P O

Manaparai - 621 312

c) 15-17, Mohid Tower Daman

Road, ChalaVapi - 396 191,

Valsad, District Gujarat, India

**ITES**

C-39, Sector - 58

Noida

**ENERGY DIVISION**

(a) Muppandal, Irukkandurai Village

Sankaneri Post Radhapuram

Taluk, Tirunelveli District

Tamilnadu

(b) Chinnaputhur village,

Dharapuram Taluk,

Erode District, Tamil Nadu

**BANKERS**

State Bank of Travancore

Bank of Maharashtra

Canara Bank

State Bank of Hyderabad

Dena Bank

Development Credit Bank

IDBI Bank Limited

**SHARE TRANSFER AGENTS**

Intime Spetrum Registry Limited

C-13, Pannalal Silk Mills Compound

LBS Marg

Bhandup - West

Mumbai - 400 078

**NOTICE**

NOTICE is hereby given that the 22<sup>nd</sup> Annual General Meeting of the members of GHCL Limited will be held at The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad - 380 006 (Opp. Gajjar Hall) on Friday, the 2<sup>nd</sup> day of September 2005 at 10.30 AM to transact the following businesses:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2005, Profit and Loss Account for the year ended on that date together with the Reports' of the Directors' and Auditors' thereon.
2. To declare a dividend for the financial year ended 31<sup>st</sup> March, 2005.
3. To appoint a director in place of Dr. B C Jain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. P Sampath, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s Jayantilal Thakkar & Co., Chartered Accountants and M/s Rahul Gautam Divan & Associates, Chartered Accountants as Joint Auditors of the Company, to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to authorize Board of Directors to fix their remuneration.

**SPECIAL BUSINESS:****6. Appointment of Mr. H H Faruqi as Director of the Company**

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

"RESOLVED THAT Mr. H H Faruqi, who was appointed by the Board of Directors as an Additional Director of the Company, and who holds office till the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

**7. Appointment of Mr. Tej Malhotra as Director of the Company**

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

"RESOLVED THAT Mr. Tej Malhotra who was re - appointed by the Board of Directors as an Additional Director of the Company under Article 131 & 138 of the Article of Association of the Company and who holds office until the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of 5 years with effect from May 5, 2005, on such terms and conditions including remuneration as stated in the Explanatory Statement annexed to the Notice convening this Meeting, pursuant to the provisions of Section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment, modification(s), variation or re-enactment thereof and subject to such other approvals as may be required;

RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Mr. Tej Malhotra, the remuneration payable by way of salary, allowances, commission and other perquisites shall not without the approval of the Central Government (if required) exceed the limits prescribed under the Companies Act, 1956, or any amendment, modification(s), variation or re-enactment thereof."

**8. Appointment of Mr. Jagdish Capoor as Director of the Company**

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

"RESOLVED THAT Mr. Jagdish Capoor, who was appointed by the Board of Directors as an Additional Director of the Company, and who holds office till the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

**9. Appointment of Mr. Neelabh Dalmia as Director of the Company**

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

"RESOLVED THAT Mr. Neelabh Dalmia, who was appointed by the Board of Directors as an Additional Director, of the Company and who holds office till the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

**10. Enhancement of Borrowing Power**

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

"RESOLVED THAT in supersession of Resolution No. 14 passed at 9th Annual General Meeting of the Company held on September 19, 1992 and pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board") to borrow such sums of money as may be considered fit for the purpose of the business of the Company notwithstanding that the monies to be so borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up share capital and free reserves of the Company, provided however, that the total borrowings at any one time and outstanding shall not exceed Rs. 1500 Crores;



RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion consider necessary, proper, desirable and to settle any question, difficulty, or doubt that may arise in this regard."

**11. Creation of charges or mortgages and hypothecations U/s 293 (1) (a) of the Companies Act, 1956**

To consider and if thought fit to pass with or without modification(s) following resolution as **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include any existing Committee (s) or any Committee the Board may hereafter constitute to exercise powers of the Board including the power conferred by this resolution) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the management and concern of the Company in certain events in favour of banks/ financial institutions, other investing agencies and trustees for the holders of debentures /bonds / other instruments to secure rupee/ foreign currency loans and / or the issue of debentures whether partly / fully / non convertible and / or securities linked to Ordinary shares and / or rupee / foreign currency convertible bonds and / or bonds with share warrants attached hereinafter collectively referred to as "Loans") provided that the total amount of loan together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company in respect of the said loans, shall not at any time exceed the limit of Rs. 1500 Cores;

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors be and is hereby authorized and empowered to finalize, settle and execute any such formal contract, agreements, documents, deeds, indemnities, guarantees or other legal undertakings as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid."

**12. Alteration of capital clause of Memorandum of Association**

To consider and if thought fit to pass with or without modification(s) following resolution as **Ordinary Resolution**:

"RESOLVED THAT pursuant to Section 16 and other applicable provisions, if any of the Companies Act, 1956 the existing Clause 5 of the Memorandum of Association of the Company be and is hereby altered by substituting the following Clause 5 for the present Clause 5:

5. "The Authorised Share Capital of the Company is Rs. 125,00,00,000 (Rs. One hundred twenty five crores only) divided into
- 10,00,00,000 (Ten crores only) equity shares of Rs. 10 each;
  - 2,50,00,000 (Two crores and fifty lacs only) unclassified shares of Rs. 10 each;

with power to increase and/or reduce Capital of the Company and to divide the Share Capital for the time being into several classes and to attach thereto respectively such preferential, guaranteed, qualified or special rights, privileges and conditions as may be determined by or in accordance with the provisions of Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being provided by the Articles of Association of the Company."

**13. Alteration of Articles of Association**

To consider and if thought fit to pass with or without modification(s) following resolution as **Special Resolution**:

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956, the Articles of Association of the Company be altered by replacing the existing Article 1 with the following:

- "1. The Authorised Share Capital of the Company shall be such amount as may from time to time be authorised by the Memorandum of Association. The Company shall have the power to increase or reduce the capital from time to time and to divide the shares capital into several classes with rights, privileges or conditions as may be determined. The Company may issue preference shares, which shall at the option of the Company, be liable to be redeemed. The Company may also issue equity shares with differential rights as to dividend, voting or otherwise."

**14. Alteration of Articles of Association**

To consider and if thought fit to pass with or without modification(s) following resolution as **Special Resolution**:

"RESOLVED THAT pursuant to Section 31 of the Act, the Articles of Association be altered by replacing the existing Article 5 with the following:

5. Neither the original capital nor any increased capital shall be of more than two kinds, namely
- Equity Share Capital
    - with voting rights;
    - with differential rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed;
  - Preference Share Capital as defined in Section 85 of the Act;
 

"RESOLVED FURTHER THAT pursuant to Section 31 of the Act, the Articles of Association be altered by inserting the following clause as Article 5A after the existing Article 5:

5A. (i) Subject to provisions of Section 86 of the Act, and Companies (Issue of Share Capital with differential voting rights) Rule 2001 issued and amended from time to time, the Company shall have the power to issue equity shares with differential rights as to dividend, voting or otherwise and the resolution authorizing such issue shall prescribe the



manner, terms and conditions of such issue. Further, if required as per prevailing laws, the Company agrees to make application to the Stock Exchanges for the listing of any new issue of shares or securities and provisional documents relating thereto and further agrees to get the newly issued shares listed within the stipulated period as the listing guidelines.”

- (ii) All the provisions of Memorandum and Articles of Association shall be applicable to the Equity Share Capital with Differential Rights with such modifications and variations wherever necessary as to differential rights to dividend, voting or otherwise as the case may be and further subject to the terms and conditions of the issue of such Equity Share Capital with differential rights.

#### 15. Authority to issue securities in foreign markets/ international offer

To consider and if thought fit to pass with or without modification(s) following resolution as **Special Resolution:**

“RESOLVED THAT pursuant to provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956, the Foreign Exchange Management Act, 1999 (including any regulations, statutory modification(s) or re-enactment thereof for the time being in force including but not limited to Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulation 2000 , Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and also provisions of any other applicable law or laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and relevant provisions of Memorandum and Articles of Association of the Company and the listing agreements entered into by the Company with the stock exchanges, where the Company's shares are listed, and subject to such applicable approval(s), consent(s) permission(s) of the Government of India (GOI), Reserve Bank of India (RBI), Ministry of Finance, Securities and Exchange Board of India (SEBI) and any other appropriate authorities, institutions or bodies, as may be necessary and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission or sanction, and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall be deemed to include any committee of the Board for the time being or any committee the Board may hereafter constitute for, exercising the powers conferred on the Board by this resolution) which the Board be and is hereby authorised to accept, if it think fit, in the interest of the Company, the consent of the Company be and is hereby accorded to the Board to issue, offer and allot equity shares/warrants/ foreign currency convertible bonds (FCCB) and /or any instruments convertible into equity shares whether optionally or otherwise Global Depository Receipts (GDRs) and / or fully partly convertible bonds/ debentures/ loans and / or depository shares/ receipts and / or any other instruments/ securities in the nature of shares/ debentures/ bonds and / or warrants convertible into equity shares or otherwise (hereinafter referred to as “Securities”) for an aggregate sum upto US \$ 100 million or equivalent in Indian and / or any other currency(ies) (inclusive of such premium, as may be permitted by the Ministry of Finance/ such other authorities, directly to Indian/Foreign/Resident/Non resident investors (whether institutions, incorporated bodies, mutual funds, trusts, foreign institutional investors, banks and / or individuals or otherwise and whether or not such investors or members, promoters, directors or their relatives / associates or the Company through public issue (s), right issue (s), private placement (s), preferential issue (s) or a combinations thereof at such time or times in such tranche or tranches at such price or prices at a discount or premium at market price or prices in such manner and on such terms and conditions as may be decided and deemed appropriate by the Board at the time of such issue or allotment considering the prevailing market conditions and other relevant factors , wherever necessary in consultation with the lead managers, merchant bankers, underwriters, guarantors, financial and / or legal advisors, depositories, custodians, principal paying / transfer / conversion agents, listing agents, registrars or through the subsidiaries, in any markets as may be deemed fit by the Board but not limited to initial public offer, public issue, preferential issue in any foreign countries so as to enable the Company to get listed at any stock exchanges in India and or Luxembourg / London/ Singapore and / or any of the overseas stock exchanges.

RESOLVED FURTHER THAT such of these Securities as or not subscribed may be disposed of by the Board in its absolute discretion in such a manner as the Board may deem fit.

RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body authorised by the Company for issue of depository receipts representing the underlying equity shares/warrants /other securities to be issued by the Company in registered or bearer form with such feature and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practices and regulations and under the forms and practices prevalent in the international markets;

RESOLVED FURTHER THAT Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred in the aforesaid resolutions or as may be necessary in accordance with the terms of offering, all such shares being pari passu with the then existing equity shares of the Company in all respect, excepting such rights as to dividend as may be provided under the terms of issue of the Securities and in the offer documents;

RESOLVED FURTHER THAT the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things and to execute such documents or writings as may be necessary for the purpose of giving effect to the above resolution and for matter connected therewith or incidental thereto.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or Jt. Managing Directors or any other officer of the Company to give effect to the aforesaid resolution.”

#### 16. Authority to issue warrants convertible into equity shares on preferential basis

To consider and if thought fit to pass with or without modification(s) following resolution as **Special Resolution:**

“RESOLVED THAT in accordance with and subject to the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any regulations, statutory modification(s) or re-enactment thereof for the time being



in force), and the applicable rules, guidelines, regulations, notifications and circulars, if any, of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and other concerned and relevant authorities, and other applicable laws, if any, and relevant provisions of Memorandum and Articles of Association of the Company, the listing agreements entered into by the Company with the stock exchanges, where the Company's shares are listed, and subject to such approval(s), consent(s), permission(s) of the Government of India (GOI), Ministry of Finance, Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI) and any other appropriate authorities, institutions or bodies, as may be necessary and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission or sanction, and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any committee of the Board for the time being or any Committee the Board may hereafter constitute for, exercising the powers conferred on the Board), the consent of the Company be and is hereby accorded to the Board to issue, offer and allot warrants on preferential basis to the promoters of the Company, aggregating to not more than 45,00,000 (Forty five lacs) in numbers entitling the warrant holders to an option to convert such warrants into equity shares of Rs. 10 each fully paid up of the Company in the ratio of one equity share of Rs. 10 each fully paid up against one warrants at the Exercise Price on terms and conditions mentioned hereinbelow and thereby to issue and allot 45,00,000 (Forty five lacs) equity shares of Rs. 10 each fully paid up on conversion of warrants, through private placement and in one or more tranches to the promoters of the Company on the following terms and conditions.

Terms and Conditions of warrants:

- (a) **Entitlement to equity shares:** The warrants shall entitle the holder thereof to subscribe for one equity share of Rs. 10 each fully paid up in the capital of the Company at an Exercise Price for every warrant held by such holder on the exercise date.
- (b) **Exercise Price:** The Exercise Price under the warrant shall be the price worked out in accordance with SEBI (Disclosure & Investor Protection) Guidelines, 2000 ('SEBI Guidelines') for Preferential Issues. The price will be worked out based upon "relevant date". The relevant date for the purpose of determining the price of the shares shall be 30 days prior to the date of this Annual General Meeting as per SEBI Guidelines.
- (c) **Down Payment:** An amount equivalent to at least 10% of the Exercise Price shall be payable on the date of allotment of the warrants. Such down payment may be made in cheque or any other mode, which may be prescribed, and subject to applicable SEBI Guidelines and such advance payment shall be adjusted against the conversion price on the date of conversion of the warrants into equity shares.
- (d) **Exercise of Option:** The warrant holders are entitled to exercise the option of conversion at an exercise price at any time after the date of allotment of the warrants but not later than 18 months from the date of its allotment. If such an option is not exercised on or before the expiry of 18 months from the date of allotment of the warrants, the warrants not so exercised shall expire and the down payment received against such warrants shall stand forfeited as per the current SEBI Guidelines for Preferential issue.
- (e) **Lock in:** The warrants or equity shares, arising upon conversion of the warrants, shall be subject to lock – in period as prescribed under SEBI Guidelines.
- (f) **Ranking and Listing of the new equity shares:** The new equity shares issued on conversion of the warrants shall rank pari passu in all respect with the existing equity shares of the Company and will be listed on National Stock Exchange of India Limited (NSE) and / or The Stock Exchange Mumbai (BSE) and / or The Stock Exchange, Ahmedabad (ASE).

RESOLVED FURTHER THAT for the purpose of giving effect to the issue and allotment of warrants and to the issue of allotment of equity shares on conversion of the warrants, the Board be and is hereby authorised to do all acts deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, to settle any question, difficulty (ies) or doubt that may arise in regard to the offer, issue, allotment and utilization of the issue proceeds, to finalise all matters incidental to the above and to give such directions as it may deem fit and appropriate for the purpose.

RESOLVED FURTHER THAT Board of Directors of the Company be and is hereby authorised to make application, file necessary papers and documents which may be required for getting in-principal approval and or final approval for listing of 45,00,000 (Forty five lacs) equity shares of Rs. 10 each fully paid up, arising out of conversion of warrants issued on preferential basis to the promoters of the Company to National Stock Exchange of India Limited (NSE) and/or The Stock Exchange Mumbai (BSE) and/or The Stock Exchange, Ahmedabad (ASE) and take all necessary action to give effect to the above resolutions.

#### 17. Payment of Sitting fees

To consider and if thought fit to pass with or without modification(s) following resolution as **Special Resolution:**

"RESOLVED THAT pursuant to Clause 49 of the Listing Agreement, Section 309, 310 and all other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval to the payment of sitting fees and commission to its Non Executive Directors with in the limit as may be notified by the Central Government from time to time."

RESOLVED FURTHER THAT within the overall approval given by the members and pursuant to notification(s) issued by the Central Government or any amendment thereto, from time to time, Board of Directors of the Company be and is hereby authorised to decide quantum of sitting fee and commission payable to Non Executive Directors."

#### **Registered Office:**

GHCL HOUSE  
Opp. Punjabi Hall  
Navrangpura, Ahmedabad - 380009  
Dated: July 20, 2005

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

Bhuvneshwar Mishra  
Jt. Company Secretary &  
Compliance Officer



**NOTES**

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. A proxy need not be a Member. Proxies in order to be effective must be deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from Monday the August 22, 2005 to Friday the September 2, 2005 (both days inclusive).
- (3) The dividend as recommended by the Board of Directors will be paid to those members whose names appear on the Company's Register of Members on August 22, 2005. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as on August 20, 2005 as per details furnished by National Securities Depositories Limited (NSDL) and Central Depositories Services (India) Limited (CDSL) for this purpose.
- (4) The Explanatory Statement setting out the material facts concerning Special Business in respect of Item Nos. 6 to 17 of the accompanying Notice as required by Section 173(2) of The Companies Act, 1956, is annexed hereto. The relevant details of directors seeking reappointment under Items No. 3 to 4, as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges is given herein below.
  - (a) Dr. B C Jain, age about 66 years (DOB-October 8, 1938), is a Director of the Company since April 19, 1986. Dr. B C Jain is LLB, ACCS, Ph.D. and Fellow member of Institute of Chartered Accountants of India and his area of specialization is banking and finance. He is Chairman of Audit Committee, Member of the Remuneration Committee and Project Committee of the Company. Dr. B C Jain is neither a member of more than 10 Committee nor a Chairman of more than 5 Committees.
  - (b) Mr. P Sampath, Jt. Managing Director of the Company is a Graduate in Commerce and Fellow member of Institute of Cost and Works Accountants of India and Institute of Company Secretaries of India. Mr. P Sampath is having wide experience in Corporate Finance and Corporate Laws. He is about 50 years (DOB –May 26, 1955) and has more than 31 years of Industrial experience. Mr. P Sampath is a Director of Colwell and Salmon Communications (India) Limited and a member of Shareholders Grievance Committee of the Company. Mr. P Sampath is neither a member of more than 10 Committee nor a Chairman of more than 5 Committees.
- (5) Members are requested to notify immediately any change of address to their Depositories Participants (DPs) in respect of their electronic share accounts and to the Share Transfer Registrar of the Company in respect of their physical share folios, if any.
- (6) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for deletion or / change in such bank details. Further instruction, if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depositories Participants.
- (7) Members are requested to send their queries, if any, at least seven days in advance of the meeting so that the information can be made available at the meeting.
- (8) All documents referred to in the Notice and Explanatory Statement is available for inspection at the Registered Office of the Company during the business hours on all working days of the Company up to the date of the Annual General Meeting.
- (9) Members attending the Meeting are requested to complete the enclosed slip and deliver the same at the entrance of the meeting hall.
- (10) Persons attending the Annual General Meeting are requested to bring their copies of Annual Reports as the practice of distribution of copies of the report at the meeting has been discontinued.
- (11) Dividend for the financial year ended March 31, 1998, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government (IEPF) in the month of October 2005 pursuant to provisions of Section 205A of the Companies Act, 1956. Members who have not en-cashed their dividend warrant (s) for the financial year ended 31<sup>st</sup> March 1998 or any subsequent financial year (s), are requested to lodge their claims with Intime Spectrum Registry Ltd (ISRL). However, in respect of unclaimed dividend for the financial year ended March 31, 1998 only those claims, which are received by ISRL on or before August 31, 2005, will be entertained. Members are advised that once the unclaimed dividend is transferred to IEPF no claims shall lie in respect thereof.
- (12) Electronic Clearing Service (ECS) Facility: With respect to payment of dividend, the Company provides the facility of ECS to all shareholders, holding shares in electronic and physical forms.

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

**Item No. 6**

Mr. H H Faruqi was appointed by the Board of Directors as an Additional Director of the Company at its meeting held on January 25, 2005 as per Article 131 and 138 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. H H Faruqi will hold office as an Additional Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from members proposing the candidature of Mr. H H Faruqi for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. H H Faruqi, M.Com, LL.B, aged about 64 years (DOB-June 20, 1941), retired from the Board of LIC of India and has been associated with the Company since 1998 as nominee Director of LIC of India. Mr. H H Faruqi has resigned from the Board of the Company as nominee of LIC of India on January 04, 2005. Mr. H H Faruqi is neither a member of more than 10 Committee nor a Chairman of more than 5 Committees and he is not on the Board of any other Company. He has very wide areas of experience in Insurance and Finance. Mr. H H Faruqi's association with the Board will be of immense value to the overall progress of the Company.

Your Directors recommend the resolution for your approval. Save and except Mr. H H Faruqi, none of the Directors of the Company is interested in the resolution.

**Item No. 7**

Mr. Tej Malhotra, Sr. Executive Director (Operations) was re-appointed by the Board of Directors as an Additional Director at its meeting held on April 20, 2005, as per Article 131 and 138 of the Articles of Association of the Company with effect from May 5, 2005. Pursuant to Section 260 of the Companies Act, 1956, Mr. Tej Malhotra will hold office as an Additional Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from members proposing the candidature of Mr. Tej Malhotra for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. Tej Malhotra is a Graduate in Engineering (Mechanical), aged about 55 years (DOB June 9, 1950) and has 32 years experience in Engineering, Manufacturing and General Management. Mr. Tej Malhotra was awarded Bharatiya Udyog Ratan Award from Indian Economic Development & Research Association (IEDRA), New Delhi and Bharatiya Gaurav Award from World Economic Progress Society, New Delhi. Mr. Tej Malhotra is President of Western Gujarat Chamber of Industries and is a member of various professional bodies. Mr. Tej Malhotra is neither a member of more than 10 Committee nor a Chairman of more than 5 Committees and he is not on the Board of any other Company.

Mr. Tej Malhotra fulfills the eligibility criteria set out under Part I of Schedule XIII to the Companies Act, 1956. The remuneration payable to Mr. Tej Malhotra is in line with the Uniform remuneration package payable to Whole time Directors and Managing Director, as approved by the members in their meeting held on September 20, 2000 and amended in 21<sup>st</sup> Annual General Meeting of shareholders of the Company in their meeting held on September 24, 2004. This approved remuneration package is also in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

1. Basic Salary: 1,07,000 /- per month, which may be increased by such amount as the Board may determine from time to time in line with the Uniform Remuneration Package as approved by the members.
2. Perquisites: Mr. Tej Malhotra shall also be entitled to the perquisites covering Housing, Medical Reimbursement, Leave, Leave Travel Concession, Club Fee, Personal Accident Insurance, conveyance, Telephone as approved under the Uniform Remuneration Package.
3. Commission: As per the Uniform Remuneration Package.

Your Directors recommend the resolution for your approval. Save and except Mr. Tej Malhotra, none of the Directors of the Company is interested in the resolution.

**Item No. 8**

Mr. Jagdish Capoor was appointed by the Board of Directors as an Additional Director of the Company at its meeting held on July 20, 2005 as per Article 131 and 138 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. Capoor will hold office as an Additional Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from members proposing the candidature of Mr. Capoor for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. Jagdish Capoor holds a Master of Commerce degree and is Certified Associate of the Indian Institute of Bankers. Mr. Capoor is a Chairman of HDFC Bank and he has served as Deputy Governor of Reserve Bank of India (RBI). Mr. Capoor was Chairman of Deposit Insurance and Credit Guarantee Corporation of India and Bharatiya Reserve Bank Note Mudran Limited and served as a Director on the Boards of Bank of Baroda, Export Import Bank of India, The State Bank of India, The National Bank for Agriculture and Rural Development and National Housing Bank. Presently Mr. Capoor is Chairman of Agricultural Finance Corporation Limited and is a Director of Indian Hotels Company Limited and Asset Care Enterprise Limited. He is also a member of Board of Governors of Indian Institute of Management, Indore and the Governing Board of the Stock Exchange, Mumbai.

Mr. Jagdish Capoor is a member of the Audit Committee and is a Chairman of the Remuneration Committee of Indian Hotels Company Limited. He is also a member of the Audit Committee of Asset Care Enterprise Limited.

Your Directors recommend the resolution for your approval. Save and except Mr. Jagdish Capoor, none of the Directors of the Company is interested in the resolution.

**Item No 9**

Mr. Neelabh Dalmia was appointed by the Board of Directors of the Company as an Additional Director at its meeting held on July 20, 2005 as per Article 131 and 138 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. Neelabh Dalmia will hold office as an Additional Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from members proposing the candidature of Mr. Neelabh Dalmia for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. Neelabh Dalmia, aged about 22 years (DOB-August 16,1983) is a Bachelor of Science in Business from Indiana University, Kelly School of Business, Bloomington, Indiana with majors in Finance and Entrepreneurship.

Mr. Neelabh Dalmia is a son of Mr. Anurag Dalmia and is related to Mr. Sanjay Dalmia. Hence Mr. Sanjay Dalmia and Mr. Anurag Dalmia is interested in the appointment of Mr. Neelabh Dalmia.

**Item No. 10**

The members of the Company in their meeting held on September 19, 1992, had approved borrowing not exceeding Rs. 400 Crores. Since 1992, Company has diversified its business and is working on expansion of its core businesses. Due to increased activity and expansion, the requirement of borrowings for meeting the funding requirements for diversification and expansions has also increased. As per the provisions of Section 293(1) (d) of the Companies Act, 1956, the Board of Directors of the Company cannot borrow money exceeding the aggregate of the paid up share capital and free reserves of the Company. Keeping in view the above it is felt necessary to increase the borrowing limit to Rs. 1500 Crores.

None of the Directors are interested in the proposed resolution. Your Directors recommend the resolution for your approval.

**Item No. 11**

Section 293 (1)(a) of the Companies Act, 1956, however, does not require approval of members for obtaining of loans by mortgaging of whole or substantially whole of undertaking except in case of usufructuary mortgage. But in practice, Financial Institution/Banks insist for the members' approval. Keeping in view the increase in borrowing powers this resolution is consequential and approval of members is required.



None of the Directors are interested in the proposed resolution. Your Directors recommend the resolution for your approval.

**Item No. 12, 13 & 14**

The Company is in the process of finalizing its plans for expansions, modernization, quality upgradation, cost reduction, energy conservation and value addition of its business. To fund the requirements of such business activities, the Company is exploring the possibility of issue further equity shares or issue of equity share capital with differential rights or preference shares or combination thereof. Hence it is considered necessary to re organize the capital clause of Memorandum of Association of the Company.

The Companies (Amendment) Act, 2000 introduced a number of amendments in the Companies Act, 1956 including introduction of a concept of equity share capital with differential rights as to dividend, voting or otherwise. . Further, the Department of Company Affairs notified the Companies (Issue of Share Capital with Differential Voting Rights) Rules 2001, for issue of equity share capital with differential rights as to dividend, voting or otherwise. . Accordingly, Memorandum and Articles of Association of the Company have to be suitably altered and new articles need to be inserted in order to facilitate the Company to issue of equity shares with differential rights.

None of the Directors are interested in the proposed resolution. Your Directors recommend the resolution for your approval.

**Item No. 15**

With a view to meet proposed capital expenditure plans, new acquisitions domestic/overseas, modernization & up gradation and long term working capital, your company is considering tapping the overseas capital market.

To augment the proposed capital requirements, your Company is considering placement of the instruments of the Company with the Overseas Corporate Bodies, International Institutions, Foreign Institutional Investors, Financial Institutions, Banks, Mutual Funds, Individual investors, NRIs or Body Corporates in the form of IPO, GDRs, FCCBs, Euro Issue, Private Placement or Preferential Allotment or by one or more of the above method(s).

With the proposed issue of securities abroad, the Company will get access to the international financial market, which is an important milestone for the Company. The access in the international markets gains importance in the sense that it provides flexibility to the company in controlling the financial cost considering differential cost of funds in India and abroad. The overseas issue of securities will not only provide long term low cost funds to the Company but will also considerably enhance its visibility and acceptability on the global scale. Based on the Company's track record, the International offering will also prove to be an important yardstick for Company's future growth.

The detailed terms and conditions for the international offers will be determined in due course, in consultation with the Merchant Bankers, Advisors, Lead Managers and Underwriters of repute.

The Company proposes to pass this enabling Resolution to give powers to the Board of Directors of the Company to issue Securities in such tranche or tranches at such time(s) in the capital market abroad.

Therefore, the consent of the shareholders is being sought pursuant to the provisions of Section 81 (1A) and other applicable provisions of the Companies Act, 1956

None of the Directors are interested in the resolutions.

**Item No. 16**

The Company proposes to issue 45,00,000 warrants convertible into equity shares to Oval Investment Private Limited, one of the promoters of the Company ( hereinafter referred as "OIPL"), on preferential basis, with an option to convert such warrants into equity shares of Rs. 10 each fully paid up. The proceeds from issue may be used towards part financing the expansion plan of the Company.

The information required to be given in the notice calling Annual General Meeting pursuant to SEBI (Disclosure & Investor Protection) Guidelines ('SEBI Guidelines') is as under:-

**I. The Object of the issue through preferential offer**

The proceeds from the proposed issue shall be used towards part financing the expansion plan of the Company. The funds may be used towards the proposed capital expenditure plans, modernization & up gradation of existing units, setting up new production units and new acquisitions domestic / overseas.

**II. Intention of promoter to subscribe to the offer.**

The OIPL one of the promoter Company of GHCL Limited intend to subscribe the proposed preferential issue fully.

**III. Shareholding pattern before and after the offer.**

	Pre Issue Holding		Post issue Holding	
	No of shares	%	No. of shares	%
<b>Promoter Group</b>				
Proposed Acquirer - Oval Investment Private Limited (OIPL)	166848	0.18	4666848	4.69
Others	41961502	44.13	41961502	42.13
<b>Total Holding of Promoter Group</b>	<b>42128350</b>	<b>44.31</b>	<b>46628350</b>	<b>46.82</b>
MFs/Banks/FIIs/	7286057	7.66	7286057	7.32
NRIs/FIs /Foreign Mutual Fund	3355817	3.53	3355817	3.37
<b>General Public</b>	<b>42318187</b>	<b>44.50</b>	<b>42318187</b>	<b>42.49</b>
<b>Total</b>	<b>95088411</b>	<b>100.00</b>	<b>99588411</b>	<b>100.00</b>

Consequent to the issue of aforesaid shares there will be no change in the Board of Directors of the Company and control over the company. The Voting right would change in tandem with shareholding pattern of the Company.

In accordance with the provisions of SEBI Guidelines, it has been confirmed by the proposed allottee that its entire shareholding in the Company is in dematerialized form.





**IV Proposed time within which the allotment shall be complete.**

The allotment of shares shall be completed within 15 days from the date of passing of resolution granting consent for preferential issue of warrants by the shareholders of the Company.

**V Identity of the proposed allottee and percentage of post preferential issued capital**

	Pre Issue Holding		Post issue Holding	
	No of shares	%	No. of shares	%
<b>Name of the allottee</b>				
Oval Investment Private Limited (OIPL)	166848	0.18	4666848	4.69

**Pricing of the Issue**

In terms of the SEBI Guidelines, a listed Company issuing shares on preferential basis is required to comply with the SEBI Guidelines on preferential issues.

According to the SEBI Guidelines, a preferential issue of warrants convertible into equity shares can be made at price not less than the higher of the following;

- (i) the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date; or
- (ii) the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date;

Accordingly, the exercise price for conversion of the warrants into equity shares will be worked out in accordance with the SEBI guidelines for preferential issues.

The price will be worked out based upon "relevant date". The relevant date for the purpose of determining the price of the shares shall be 30 days prior to the date of this Annual General Meeting as per SEBI Guidelines.

**Lock-in Period**

In terms of the SEBI Guidelines, warrants issued on preferential basis shall be subject to prescribed lock-in period. The warrants or equity shares, arising upon conversion of the warrants, shall be subject to lock – in period as prescribed under SEBI Guidelines.

The new equity shares issued on conversion of the warrants shall rank pari passu in all respect with the existing equity shares of the Company.

**VI Statutory Auditors' Certificate**

The Company is obtaining certificate from the Statutory Auditors of the Company that above issues are being made in accordance of with the requirements contained in the aforesaid guidelines. A copy of the Auditors certificate shall be available for inspection at the Registered Office of the Company on any working day till the date of AGM during business hours and will also be placed before the meeting.

Your Directors recommend the resolution for the approval of the shareholder.

Except Mr. Sanjay Dalmia, Mr. Anurag Dalmia, Mr. Neelabh Dalmia, Mr. Naresh Chandra, Mr. Mahesh Kheria, none other Directors are interested/ concerned in the resolution.

**Item No. 17**

Clause 49 of Listing Agreement has been amended by securities and Exchange Board of India ('SEBI') vide Circular No. SEBI/CFD/CG/2004/12/10 dated October 29, 2004 and compliance of the same is mandatory for every listed Company. The new amendment provides that all fees/compensation if any, paid to Non Executive Directors shall be fixed by the Board of Directors and shall require prior approval of members of the Company.

As per notification No. GSR 580 (E) dated July 24, 2003 issued by the Central Government, the maximum sitting fees has been fixed at Rs. 20000/- for companies with a paid up share capital and free reserves of Rupees Ten Crores or more or Turnover of Rupees Fifty Crores or more. Your Company pays Rupee Ten thousand as sitting fee for each meeting to its Non Executive Directors.

The present approval of members will also cover any increases/relaxation prescribed by the Central Government in terms of Section 310 of the Companies Act, 1956.

The Non Executive Directors may be deemed to be concerned or interested in the passing of this resolution to the extent of sitting fees and commission received by them.

**Registered Office:**

GHCL HOUSE  
Opp. Punjabi Hall  
Navrangpura, Ahmedabad - 380009  
Dated: July 20, 2005

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

Bhuwneshwar Mishra  
Jt. Company Secretary &  
Compliance Officer



**DIRECTORS' REPORT**

Your Directors have pleasure in presenting to you the 22<sup>nd</sup> Annual Report of the Company together with Audited Accounts of the Company for the year ended March 31, 2005.

**OPERATIONAL RESULTS**

The summary of the financial performance for the year ended March 31, 2005 as compared to the previous year is as under.

	(Rs. Crores)	
	2004-05	2003-04
Net Sales /Income	<b>533.32</b>	469.29
Gross profit before interest and depreciation	<b>112.77</b>	89.06
Interest	<b>15.59</b>	14.80
Profit before depreciation and preliminary expenses - (cash profit)	<b>97.18</b>	74.26
Depreciation/Preliminary Expenses written off	<b>35.67</b>	32.95
Profit before Tax	<b>61.51</b>	41.31
Provision For Taxation - Current	<b>8.92</b>	16.20
Provision For Taxation - Deferred	<b>12.19</b>	(4.98)
Profit after tax	<b>40.40</b>	30.09
Balance brought forward from last year	<b>77.54</b>	69.56
Arrears of Depreciation/Deferred Revenue		
Expenditure for earlier years /Provision for earlier years not required	<b>0.32</b>	(3.13)
Excess/(short) provision for tax for earlier years	<b>(0.17)</b>	0.23
Amount available for Appropriation	<b>118.09</b>	96.75
<b>Appropriations :</b>		
Debenture Redemption Reserve	<b>1.07</b>	1.58
General Reserve	<b>4.04</b>	1.50
Proposed Dividend	<b>19.02</b>	14.26
Tax on Dividend	<b>2.67</b>	1.87
Balance Carried To Balance Sheet	<b>91.29</b>	77.54

**PERFORMANCE**

The increasing pressure on inputs cost on soda ash was felt in the first two quarters of financial year 2004-05. However, due to the correction in selling prices of soda ash post November 2004 the impact on the bottom line has been curtailed and the full impact of the selling price increase was realized in Q4 of FY05 resulting in a better performance during the current year. Apart from the selling price of soda ash there was significant contributions to the bottom line came from usage of captive lignite instead of purchased lignite and use of briquetting (made from coke fines) instead of coke in the Kilns in the soda ash manufacturing process. Further the textile division through its value addition in fabric and special yarns along with use of wind power has significantly contributed to the growth of the bottom line.

Your Board has approved an investment of Rs. 230 Crores for Home Textile project, a green field project at Vapi, Gujarat.

**DIVIDEND**

Your Directors are pleased to recommend a dividend of Rs.2/- per Equity Share for the year ended March 31, 2005. The pay out ratio including dividend tax (total dividend as % of profit after tax) for the year ended March 31, 2005 is 54% (previous year 54%)

**FINANCE**

The Company has completed its debt restructuring exercise by progressively retired high cost debt, partly negotiated others at lower interest rates and converting rupee term loans into foreign currency loans. During the year borrowing has been done for the Wind Energy project under the TUF scheme eligible for concessional rate of interest. Your Company proposes to augment its resources for future growth opportunities through an offering in international markets and preferential allotment to promoters of the Company.

Your Company has contributed a sum of Rs. 78.54 Crores to the Exchequer by way of Central excise, Sales Tax and Income Tax during the period. During the year your Company has transferred a sum of Rs.25.37 lacs towards unclaimed dividend/unclaimed deposits alongwith interest thereon.

**FIXED DEPOSITS**

Your Company discontinued inviting, accepting and renewing of fixed deposits effective from September 24, 2002. In respect of existing deposits that were due for repayment during the year Rs. 17.69 lacs remained unclaimed as on March 31, 2005, out of which Rs. 0.40 lacs have since been repaid till April 30, 2005.

**CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with Accounting Standard 21 (Consolidated Financial Statements) of Institute of Chartered Accountants of India, your Directors have pleasure in presenting the Consolidated Financial Statements with those of its subsidiaries for the year ended March 31, 2005.

**MANAGEMENT DISCUSSION AND ANALYSIS**

In terms of Clause 49 of the Listing Agreement of the Stock Exchanges, Management Discussion Analysis Report is annexed herewith and forming part of this Report.

**CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a compliance report on Corporate Governance has been annexed as part of the Annual Report alongwith Auditor's certificate for the compliance.

**LISTING / DELISTING OF THE EQUITY SHARES**

The equity shares of your Company are listed at The Stock Exchange, Ahmedabad, The Stock Exchange Mumbai, and The National Stock Exchange of India Limited (NSE). The annual listing fees for the year 2004-05 have been paid to all these Stock Exchanges. The application for voluntarily delisting was duly filed with The Calcutta Stock Exchange, Association Ltd. (CSE) and the delisting confirmation is awaited.

**SUBSIDIARIES**

Your Company has acquired 147 shares (7.35%) under a Share Purchase agreement during the financial year 2004-05 and 333.4 shares subsequent to March 31, 2005 of Colwell & Salmon Communications Inc., USA thereby making it a wholly owned subsidiary of your company. As required under Section 212 of the Companies Act, 1956 the audited statement



of accounts along with the report of the Board of Directors of the subsidiaries and the respective Auditor's report thereon for the year ended March 31, 2005 are annexed herewith.

**DIRECTORS**

GIIC vide its letter no. GIIC/SEC/05/424 dated July 19, 2005 has communicated to the Board of the Company that due to disinvestments of its shareholding from the Company they have withdrawn their nominees i.e. Mr. D Rajagopalan, Mr. P K Pujari and Mr. G C Murmu from the Board of the Company with effect from June 22, 2005. Board placed on record its appreciation for the contribution made by these Directors.

Mr. H H Faruqi, Mr. Jagdish Capoor and Mr. Neelabh Dalmia were appointed as Additional Directors on the Board of the Company during the year. Mr. Tej Malhotra was re appointed as Wholetime Director for a period of 5 years with effect from May 05, 2005.

During the year IDBI has substituted its nominee and appointed Mr. G A Tadas in place of Mr. B N Makhija. The Exim Bank has also appointed Mr. R W Khanna during the year. Board placed on record its appreciation for the contribution made by Mr. B N Makhija.

During the year Mr. K K Ahuja, resigned from the services of the Company and Mr. N S Ramachandran retired from the services of the Company. Directors placed on record its appreciation for the services rendered by them.

The Company has received notice u/s 257 of the Companies Act, 1956 from shareholders signifying intention to propose at the ensuing Annual General Meeting the candidature of Mr. H H Faruqi, Mr. Tej Malhotra, Mr. Jagdish Capoor and Mr. Neelabh Dalmia as Directors of the Company. Mr. Neelabh Dalmia is the son of Mr. Anurag Dalmia. Mr. Sanjay Dalmia and Mr. Anurag Dalmia are interested in the appointment of Mr. Neelabh Dalmia. Your Directors except the interested Directors recommend their appointment at the ensuing Annual General Meeting.

Dr. B C Jain and Mr. P Sampath retire by rotation and, being eligible, offer themselves for re-appointment. The Board recommends their appointments at the ensuing Annual General Meeting.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO**

Information pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure-I to the Report.

**PARTICULARS OF EMPLOYEES**

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are set out in Annexure - II to the Directors' Report. However, as per the provisions of Section 219 (1)(b) (iv) of the Companies Act, 1956, the Report and the accounts is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

**AUDITORS**

M/s Rahul Gautam Divan & Associates and M/s Jayantilal Thakkar & Co., the Joint Auditors of the Company, will retire at the ensuing Annual General Meeting and are eligible for re-

appointment. The Company has received a certificate from the auditors to the effect that their re-appointment, if made, would be in accordance with Section 224 (1B) of the Companies Act, 1956. The appointment of the Auditors is required to be made by a Special Resolution pursuant to provisions of Section 224A of The Companies Act, 1956.

The Board recommends their re-appointment.

**COST AUDITORS**

The Board has appointed M/s R J Goel & Company, New Delhi and M/s L S Sathiamurthi & Co. Chennai as Cost Auditors for the Soda Ash division and Yarn division of the Company respectively under Section 233B of the Companies Act, 1956 for the financial year 2004-05. The Cost Auditors' Report for 2004-05 will be forwarded to the Central Government in pursuance of the provisions of the Companies Act, 1956.

**AUDITORS OBSERVATIONS**

The Notes to Accounts, forming part of the Balance Sheet as at March 31, 2005 and Profit and Loss Account for the year ended on that date, referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comment under Section 217(3) of the Companies Act, 1956.

**DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956, that :

- in the preparation of the annual accounts for the year ended March 31, 2005, the applicable accounting standards have been followed.
- appropriate accounting policies have been selected and applied them consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs as at March 31, 2005 and of the profit of the Company for the financial year ended March 31, 2005;
- the proper and sufficient care has been taken 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;
- the annual accounts for the year ended March 31, 2005 have been prepared on a going concern basis.

**ACKNOWLEDGEMENT**

The Directors express their gratitude to the Government of Gujarat, Financial Institutions, Banks, and various other agencies for the co-operation extended to the Company. The Directors also take this opportunity to thank the shareholders, customers, suppliers, depositors, lenders and distributors for the confidence reposed by them in the Company.

The employees of the Company contributed significantly in achieving the results. The Directors take this opportunity of thanking them and hope that they will maintain their commitment to excellence in the years to come.

By Order of the Board  
of **GHCL Limited**

Sd/-

Date : July 20, 2005  
Place : New Delhi

**SANJAY DALMIA**  
Chairman



**ANNEXURE I TO THE DIRECTORS' REPORT**

**A. CONSERVATION OF ENERGY**

**a) Energy Conservation Measures Taken**

1. GHCL was the first Soda Ash plant to develop capability of 100% substitution of Coke as fuel for lime kilns and reduce its fuel bill on this account to almost 30%.
2. Company achieved reduction in bicarbonate moisture by about 1%, there by reducing steam consumption in calcination process.
3. Various steps initiated under energy conservation measures resulted into appreciable savings in its steam and power expenses.

**b) Additional investment & proposals, if any, being implemented for reduction of consumption of energy.**

Schemes planned under this head are:

1. System improvement to maximise usage of lignite from captive sources.
2. Boiler efficiency improvement by converting one of the stoker fired boilers to AFBC.
3. Further improvement in Bicarb filtration system for reduction in Bicarb moisture.

**B. POWER & FUEL CONSUMED**

	<u>2004 - 05</u>	<u>2003 - 04</u>
<b>1. Electricity</b>		
(i) Purchased Units (lacs kwh)	<b>355.21</b>	326.79
Total amount (Rs.lacs)	<b>1547.74</b>	1452.32
Rate per Unit (Rs.)	<b>4.36</b>	4.44
(ii) Own Generation		
(a) Through DG		
Units (lacs kwh)	<b>8.32</b>	10.23
Units per ltr of Diesel Oil	<b>3.61</b>	3.91
Cost per unit (Rs.)	<b>5.18</b>	4.28
(b) Through TG		
Units (lacs kwh)	<b>1063.05</b>	1065.75
Cost per unit (Rs.)	<b>1.23</b>	1.15
<b>2 Coal</b>		
Quantity (MT.)	<b>115332.72</b>	96317.00
Total cost (Rs. lacs)	<b>2905.30</b>	2056.67
Average Rate (Rs/MT)	<b>2519.06</b>	2135.31
<b>3 Lignite</b>		
Quantity (MT.)	<b>180050.89</b>	186368.00
Total cost (Rs. lacs)	<b>2091.80</b>	2483.42
Average Rate (Rs/MT)	<b>1161.78</b>	1332.54

**4 Consumption per Unit of Production**

		Electricity(Kwh/MT)		Coal(MT/MT)		Lignite (MT/MT)	
		2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Production(MT)							
Soda Ash	516686	<b>206.97</b>	212.70	<b>0.22</b>	0.19	<b>0.35</b>	0.37
Salt	91682	<b>30.51</b>	32.51	-	-	-	-
Yarn	5243	<b>6.27</b>	6.37	-	-	-	-

**C. TECHNOLOGY ABSORPTION**

**1. Research & Development**

Efforts continue to bring in operational efficiencies and product upgradation through R&D activities.

**2. Technology – Absorption, Adoption and Innovation**

The technology for soda ash provided by M/s. Akzo Zout Chemie of the Netherlands has been fully absorbed.

**3. Imported Technology**

**a) Technology Import**

Soda Ash manufacturing technology by Dry Process.

**b) Year of Import**

January 1984.

**c) Has technology been fully absorbed?**

Yes, the technology has been fully absorbed.

**d) If technology has not been fully absorbed.**

Not applicable.

**D. FOREIGN EXCHANGE EARNING AND OUTGO**

Particulars with regard to foreign exchange earnings and outgo appear in the relevant Schedules of the Balance Sheet.





**MANAGEMENT DISCUSSION AND ANALYSIS – 2004 - 05**

**Disclaimer:**

Readers are cautioned that this Management Discussion and Analysis contains forward-looking statements that involve risks and uncertainties. When used in this discussion, the words “anticipate”, “believe”, “estimate”, “intend”, “will”, and “expected” and other similar expressions as they relate to the Company or its business are intended to identify such forward looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements and risks and opportunities could differ materially from those expressed or implied in such forward-looking statements. The important factors that would make a difference to the Company’s operations include economic conditions affecting demand supply and price conditions in the domestic and overseas markets, raw material prices, changes in the Governmental regulations, labour negotiations, tax laws and other statutes, economic development within India and the countries within which the Company conducts business and incidental factors. The Company undertakes no obligation to publicly amend, modify or revise any forward-looking statements on the basis, of any subsequent developments, information or events. The following discussion and analysis should be read in conjunction with the Company’s financial statements included herein and the notes thereto.

**Overview**

The Company main business lines are Soda Ash and Textiles apart from small commitments in other businesses.

**Inorganic Chemicals (Soda Ash and Salt)**

Soda Ash (chemical name sodium carbonate) is the basic input for glass, detergents (especially popular/low priced detergents), silicates (silica-based chemicals, catalysts, gels, adhesives, metal cleaning water purification and pigments) and certain other chemicals. In India the major demand comes from detergents followed by glass whereas globally, major demand comes from glass industry. Soda Ash occurs naturally and is also produced synthetically using Conventional Solvay Process, Dual/Modified Solvay Process and Akzo Dry Lime Process. Synthetic Soda Ash is of light and dense variety. The light variety (LSA) finds application in detergents, whereas the dense variety (DSA) is used in glass manufacturing. Globally natural soda ash is mined in USA and Kenya while major synthetic plants are located in Europe, China and India. In India the production capacities are concentrated in Saurashtra region of Gujarat, due to easy availability of key raw materials (salt and chemical grade limestone) and proximity to major markets.

Soda Ash is a principal product manufactured by the Company. It accounted for 78% of the gross turnover of the Company for the financial year 2004-05. The Company started manufacturing and marketing of Soda Ash in 1988 and the current capacity of the plant is 0.6 million tons per year. The annual capacity of the Soda Ash industry in India is 2.7 million tons while the annual domestic requirement is about 2.1 million tons. While 95% Soda Ash capacity is located in the State of Gujarat Soda Ash is consumed throughout the country. GHCL capacity is 22% of the industry capacity.

The annual turnover of the industry is approximately Rs. 2000 Crores including Excise and Sales Tax and the State and the Central Government together benefit in excess of 500 cores by way of Excise Duty, Sales Tax, Royalty on Limestone, Cess and Salt etc. The major raw materials are limestone and salt which are available in abundance in Gujarat.

India occupies a very significant position in terms of production of Soda Ash in the world. The Indian Soda Ash is comparative in

cost and quality with the best synthetic soda ash produced in the world.

The growth in domestic demand of Soda ash in the year 2004-05 as compared to the previous year was approximately 4%. With the strong projected growth in GDP and growth in the automobile and housing sector, the demand for soda ash is expected to grow at a CAGR of 5% in the next five years.

The import duty on Soda Ash currently is 15% and over the last 3 years Soda Ash import has been more than 0.1 million tons per year mainly from Kenya.

The last 5 years have seen the industry exports grow from 0.03 million tons to 0.36 million tons. GHCL’s exports have grown from 0.01 million tons to 0.11 million tons during the same period. GHCL’s quality of soda ash is well accepted in international markets and its customers include MNC’s like Unilever, Samsung, P&G etc. Currently GHCL is exporting to over 15 countries and major exports are to Bangladesh, Indonesia, Thailand and Middle East countries.

While consumption of Soda Ash is spread all over the country, Gujarat as a single state accounts for almost 33% of the total consumption followed by North about 29% while South and West are about 15%/16% each. The demand in East is the lowest.

Soda Ash consumption in detergents in India is almost 40% of demand (entirely in the form of LSA); Glass accounts for 22%/23% (entirely in the form of DSA), Chemicals 17%, Silicates 10% and through trade 10%.

On a SWOT analysis the Industry has the following inherent strength and opportunities i.e. the Industry was established more than half a century back and is capable of meeting the full domestic requirement of the country over the next 3 years, industry being labour intensive also provides large employment potential particularly in the drought prone areas of Gujarat, product quality and cost of manufacturing is comparable to the best European producers and efficient Chinese units, industry response to the changes in the market place and its ability to withstand the import pressure as also compete in the export markets.

The industry offers opportunity for growth as the Demand Growth in the next 5 years expected to be strong and there are opportunities for capacity expansion. Further the Indian product is well accepted in the export markets. The soda ash prices have undergone a major change over the last 6-9 months with the local industry taking two prices corrections to absorb the cost of raw material increases etc.

However, the industry has the following weaknesses/threats. 95% of the capacity is located in Gujarat and the cost of transport to markets in South and East India which constitutes 31% of consumption is high as compared to the ocean freights to South and East India where product is imported from Kenya or Europe.

In the last one-year, the developments in soda ash demand and consumption growth in China have affected the price line in the South East Asian markets. While currently the situation indicates tightness in the supply side and firm spot prices, any change in the situation could cause the Chinese to increase their export offerings in the South East Asian markets which could prove a threat for the Indian sub-continent.

The threat of reduction in import duty from 15% to 10%, poor infrastructure – namely Road and Rail movement for internal transport as well as port facilities for exports alongwith coastal movement of material from Gujarat to East.

GHCL has been able to maintain a domestic market share through a combination of market development, pro-active Customer



Satisfaction initiatives and the speedy response to the needs of the market place.

In Soda Ash marketing, logistic cost and customer servicing play a major role and on these areas GHCL is focused. With the introduction of the Value Added Tax (VAT) GHCL proposes to re-align the supply-chain management with a view to enhance customer servicing and the cost of servicing the customers.

Company's cost of production of soda ash is the lowest in the domestic industry. The continuous focus on cost reduction programme including backward integration into Lignite Mining (the only soda ash manufacturer in India having own mining rights) and innovation in use of coke fines in briquette form in kilns which will practically insulate the company from volatility of raw material cost since most of the requirements are met from captive sources at cheaper cost.

The Company's two salt refineries are located in the State of Tamil Nadu and have a capacity of 2.0 Lac tons alongwith own captive salt fields at Vedaranium in Tamil Nadu. The Refineries are basically operating as OEM suppliers to edible salt brands besides producing industrial grade salt for Textile/ Detergent Industries. The current year saw the raw salt production being affected by unseasonable rainfall causing the company to buy raw salt at high prices thereby eroding margins of the division. However, the size of the operations are small (less than 4% of the gross income) it will not have any major impact on the company's operation.

**Textiles**

The total Spun yarn production during 2004-05 has increased to 3112 million kgs from 3051 million kgs in 2003-04. The Cotton yarn production has increased to 2140 million kgs from 2121 million kgs in the same period. Also, non-cotton yarn production has increased sharply to 383 million kgs from 342 million kgs. However, the Blended yarn production has remained stagnant at 589 million kgs during the same period.

The elimination of quotas from January of this year has created an opportunity in the entire Textile value chain and substantial enhancement in capacities is being carried out in all the segments. The current installed capacity in the Spinning segment at the end of year 2004-05 is 37.45 million spindles as against 37.03 million spindles at the end of 2003-04. This figure is further expected to increase during the course of this year in view of the expansion and backward integration efforts by the major players in the Textiles industry.

The year 2004-05 witnessed an overall good performance by the Spinning sector. The first half saw a pressure on yarn prices since international Cotton prices were coming down but most mills had covered Cotton at higher levels at the beginning of the season. However, the situation improved substantially after November 2004 when cotton prices were dramatically lower and the prices of yarn remained firm due to good domestic demand.

The current financial year has started with good market conditions, increasing demand and firm yarn prices, especially in the domestic market. Due to increased activity in both Garmenting and the Home Textiles space, the demand of yarn for knitting and weaving has been growing and spinning mills have good orders. The year is expected to witness better yarn prices domestically than in exports and the focus will be to sell yarn in India itself and push sales of finished goods from India.

The government has been announcing various measures over the years to benefit the Textiles industry so that it can be more competitive in the changing global scenario. After giving Textiles manufacturers the choice between Exemption or CENVAT route last year, the government announced in the budget this year a capital subsidy of 10% in the setting up of new Process Houses besides the regular benefits under the TUF scheme. The

government envisages an investment of Rupees 30,000 Crores in year 2005-06 for the Textiles industry as against Rupees 20,000 Crores in the last year.

The third phase of modernization at Paravai has been completed and the fourth phase comprising additional 10,000 spindles is expected to be completed by December 2005. GHCL foray to move up the Textiles value chain by setting up The new Home Textiles project with State of Art fabric process house, weaving and finishing unit for made ups is currently under implementation at Vapi.

The endeavor to reduce energy cost for the Spinning units has culminated in the setting up two power projects of 3.6 MW and 4.8 MW which are now oper

**Others (IT enabled services)**

Due to rapid ramp up by the top third party players and MNC, the Indian ITES market is getting into consolidation phase. This is putting pressure on small players like us. However, our positioning as niche player in B2B lead generation and market research is enabling us to thwart these pressures. The company has already established its foothold in UK market and trying to capitalize on the same during the current year. The company is also exploring the possibilities of getting into healthcare segment that has maximum potential for Back Office operations. However, the size of the operations are small (less than 1% of the gross income) it will not have any major impact on the company's operation.

**Financial/Operational Performance**

The Financials for the year 2004-05 are summarized below:

	Rs. in crores	
	2004-05	2003-04
Net Sales/Income	533.32	469.29
Operating Profit (PBDIT)	112.77	89.06
Interest	15.59	14.80
Depreciation	35.67	32.95
Profit Before Tax	61.51	41.31
Tax	21.11	11.22
Net Profit	40.40	30.09

The increasing pressure on inputs cost on soda ash was felt in the first two quarters of financial year 2004-05. However, due to the correction in selling prices of soda ash post November 2004 the impact on the bottom line has been curtailed and the full impact of the selling price increase was realized in Q4 of FY05 resulting in a better performance during the current year. Apart from the selling price of soda ash there was significant contributions to the bottom line came from usage of captive lignite instead of purchased lignite and use of briquetting (made from coke fines) instead of coke in the Kilns in the soda ash manufacturing process. Further the textile division through its value addition in fabric and special yarns along with use of wind power has significantly contributed to the growth of the bottom line.

The Company has a debt-equity ratio of 0.63 as at March 31, 2005 which provides it leverage to raise further resources from the market. The book value of the Company's share is Rs. 25.22.

\* Subject to recommendation of dividend

**Internal Control Systems and their Adequacy**

The Company has designed proper and adequate internal control systems to ensure that its assets are safeguarded and protected against unauthorized use or disposition and that the transactions are authorised, recorded and reported correctly. Supplementing the internal control is an extensive programme of internal audits, review by management based on guidelines and procedures.



The Commercial functions of Marketing, Distribution and Finance, within the core business of Soda Ash Division, are automated through Baan ERP. The Area Sales Offices are interfaced to the ERP system through a Web-enabled application alongwith the HR activity through a Web-enabled HRMS package. All the above are ensuring that the financial and other records are reliable for preparing financial statements and maintaining accountability of assets. The Company's assets are insured by means of an All Risk Policy.

#### **Human Resource Development**

As on March 31, 2005, the Company had 1692 employees who have different academic background and diverse work experience to their credit.

GHCL has done well to service its shareholders and at the same time, the company has been concentrating on increasing its stakeholders' satisfaction in all areas. In the last few years, the focus has been on people development and enhancing the human capital of the company.

GHCL has been constantly endeavoring to execute policies and programs for enhancing people's competency, capability and empowerment. The organization has launched a new and objective Performance Management System, which encourages good performance and adds to the company's profitability. The system has been in operation for one year and has been widely received well and acclaimed. Some of the other initiatives, which the company has been practising or planning to undertake, are Leadership Development, Competency Profiling, Job Evaluation and Career Planning and Company-wide programme on organizational change

As a people driven organisation, GHCL always strives to make effective utilisation of the competencies of its human resource to surge forward to the future, which is highly complex and challenging. The organisation culture and commitment of the company to its people reflect in the motivation levels and achievements of its employees. Customer orientation is a key element in company's functions and the organisation has set highest standards in servicing its customers – both internal and external. The company has started a few initiatives for further sharpening the leadership skills of its executives and embarked

on a change management programme to go in line with the business plans. The objective is to make available a human resource pool, which is willing and capable to take on the tasks and challenges lie ahead. Subordinate development and career planning form and important part of the senior executives' key result areas in the organisation.

GHCL has constantly been rationalising / restructuring its manpower and up-grading its quality. It is the endeavour of the organisation to develop an effective team where productivity is high and accordingly, the company continuously organises employee development programmes covering the entire knowledge-value-skill spectrum. During the year 2004- 05, the employees benefited from about 100 training programmes, which covered various issues in management, technology, safety, health and environment.

As a recognition of our continuous efforts in maintaining the highest standards in safety and health at the work place, we have received the OHSAS 18001:1999 Certification for the Occupational Health and Safety Management System for our soda ash plant. The other systems of ISO 9001 and ISO 14001 continue to be found confirming by the certifying agency.

#### **Social Responsibility and Community Development Programmes**

The Company plays a significant role in the economic development of the Sutrapada and neighbouring villages because of the welfare measures initiated by the Company. During the year, either the Company had directly undertaken welfare projects or extended financial assistance to the programmes initiated by NGOs and other social organisations. We also organised medical camps for blood donation, polio eradication, de-addiction, etc. regularly in and around Sutrapada.

During the year, the company actively participated in the 'Save the Whale Shark' campaign organised by the Wildlife Trust of India. The campaign has created a strong awareness along the coastal regions of Gujarat on the necessity for the conservation of the endangered whale shark. The employees and the company and even the students of company's school contributed generously to the rehabilitation of tsunami victims.



**CORPORATE GOVERNANCE FOR THE YEAR 2004-05**

(as required under clause 49 of the Listing Agreement entered into with the Stock Exchanges)

**1. Company's Philosophy on Code of Corporate Governance**

Your Company believes that sustainable and long-term growth of every stakeholder depends upon the judicious and effective use of available resources and consistent endeavor to achieve excellence in the business along with active participation in the growth of society, building of environmental balances and significant contribution in economic growth.

The Governance for your Company means being true to own belief and constantly strengthening and increasing stakeholders' values and return on investment by adopting principle of transparency, accountability and adherence of committed value creation principles. We are firm in the belief that Corporate Governance means commitment for achievement of value based growth and meeting the commitment within the predefined time frame without compromising with the ethical

standards, set paradigms, transparency in transactions and fixing of accountability.

**2. Board of Directors**

The Company understands that good and quality governance is a powerful competitive differentiator and critical to economic and social progress. The "Board", being the trustee of the Company, responsible for the establishment of cultural, ethical and accountable growth of the Company, is constituted with a high level of integrated, knowledgeable and committed professionals. The Board of the Company is independent in taking its decision and also capable and committed to address conflict of interest and impress upon the functionaries of Company to focus on transparency, accountability, probity, integrity, equity and responsibility. The Composition of the Board as on March 31, 2005 is given herein below;

**COMPOSITION OF BOARD OF DIRECTORS AS ON MARCH 31, 2005**

Category	Name of Directors	No. of Directors	% of total number of Directors
Promoter - Private	Mr. Sanjay Dalmia - Chairman	2	13.33%
	Mr. Anurag Dalmia		
- Non Executive Director - Alternate Director	Mr. Naresh Chandra	2	13.33%
	Mr. Mahesh Kheria (for Mr. S H Ruparell)		
Executive Directors	Mr. P Sampath - Joint Managing Director	4	26.67
	Mr. R S Jalan - Joint Managing Director		
	Mr. Tej Malhotra Executive Director (Operations)		
	Mr. N S Ramachandran - Executive Director (Marketing)		
Non Executive / Independent Director	Dr. B C Jain	2	13.33%
	Mr. H H Faruqi		
Nominee Directors			
- Representing Lending Institutions	Mr. B N Makhija	1	6.67%
- Representing Investing Institutions (Promoter-Institution)	Mr. D Rajagopalan	3	20.00%
	Mr. P K Pujari		
	Mr. G C Murmu		
Non Executive / Non Independent Director	Mr. S K Mukherjee*	1	6.67%
TOTAL NO. OF DIRECTORS		15	100.00%

Note: Mr. S K Mukherjee, Ex- Managing Director of the Company





The Board of GHCL Limited consists of 15 Directors, 11 of whom are Non Executive Directors. The Company has a Non Executive Director as Chairman and hence the requirement that at least one third of the Board shall comprise of Non Executive, Independent Directors is complied with as the Company has 6 Non Executive Independent Directors.

All of the Non Executive Directors have extensive business experience and are considered by the Board to be independent in character and judgment of the management of the Company and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

The Board of Directors meets regularly to review strategic, operational and financial matters and has a formal schedule of matters reserved for its decision. It approves the interim and preliminary financial statements, the annual financial plan, significant contracts and capital investment alongwith strategic decisions like Restructuring of Business, Debt and Human Resources etc. Wherever appropriate the Board delegates its authority to Committees of Directors like Banking &

Operations Committee, Investment Committee, Investors Grievance Committee, Remuneration Committee and Audit Committee. Information is provided to the Board in advance of every meeting and the Chairman ensures that all Directors are properly briefed on the matters being discussed.

The Board review compliance reports of applicable laws at every Board meeting and also deliberates the compliance of code of conduct for Board Members and Senior Management.

Dates of the Board Meeting are fixed in advance and agenda papers are circulated to the Directors at least seven days before the meeting. During the year, six Board Meeting were held on May 01, 2004, July 30, 2004, August 31, 2004, September 24, 2004, October 28, 2004 and January 25, 2005. The gap between any two Meetings have been less than three months, ensuring compliance with the requirement of Clause 49 of the Listing Agreement.

The attendance of Directors at the Board Meeting held during the financial year 2004-05 and the Annual General Meeting held on September 24, 2004 are given herein below:

SL. NO.	NAME	DATE OF AND ATTENDANCE AT THE BOARD MEETING						GROSS ATTENDANCE.	INDIVIDUAL ATTND. %	AGM ATTENDANCE
		MAY 01, 2004	JULY 30, 2004	AUGUST 31, 2004	SEPT. 24, 2004	OCT 28, 2004	JAN 25, 2005			
1	Shri Sanjay Dalmia	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
2	Shri Anurag Dalmia	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
3	Shri D Rajagopalan	No	No	Yes	Yes	Yes	No	3	50%	No
4	Shri P K Pujari	No	Yes	No	Yes	No	Yes	3	50%	No
5	Shri P D Vaghela	Yes	Yes	Yes	No	NA	NA	3	75%	No
6	Shri G C Murmu	NA	NA	NA	NA	Yes	No	1	50%	NA
7	Shri B N Makhija	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
8	Shri H H Faruqi	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
9	Dr. B C Jain	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
10	Shri Mahesh Kheria (Alternate to Mr. S H Ruparell)	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
11	Shri Naresh Chandra	No	Yes	No	No	Yes	No	2	33%	No
12	Shri S K Mukherjee	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
13	Shri P Sampath	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
14	Shri R S Jalan	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
15	Shri Tej Malhotra	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
16	Shri N S Ramachandran	Yes	Yes	Yes	Yes	Yes	Yes	6	100%	Yes
17	Shri K K Ahuja	Yes	NA	NA	NA	NA	NA	1	100%	
	<b>TOTAL ATTENEDANCE</b>	<b>13</b>	<b>14</b>	<b>13</b>	<b>13</b>	<b>14</b>	<b>12</b>			<b>11</b>
	<b>NO OF DIRECTORS</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>			<b>15</b>
	<b>% OF DIRECTORS REPRESENTATON</b>	<b>81.25%</b>	<b>93.33%</b>	<b>86.67%</b>	<b>86.67%</b>	<b>93.33%</b>	<b>80.00%</b>			<b>73%</b>

- Note: 1. The word "NA" denotes that person was not a member of the Board of the Company at the date of the Board meeting.  
 2. Mr. K K Ahuja resigned with effect from June 30, 2004.  
 3. Mr. G C Murmu has been appointed in place of Mr. P D Vaghela with effect from October 28, 2004.  
 4. Mr. H H Faruqi resigned from the Board as nominee of LIC of India. The Board of Directors in their meeting held on January 25, 2005 has re-appointed him as Additional Director.



None of the Director on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 (C) (ii)) across all the Companies in which he is a Director. The necessary disclosures regarding Directorship and Committee positions have been made by the Directors and the same is reproduced herein below:

SL. NO.	NAME	No. of Directorship in other Public Companies	No. of Committee positions held as Chairman in other Public Companies	No. of Committee positions held as Member in other Public Companies
1	Shri Sanjay Dalmia	3	-	-
2	Shri Anurag Dalmia	3	-	-
3	Shri D Rajagopalan	8	-	-
4	Shri P K Pujari	14	-	10
5	Shri P D Vaghela	NA	NA	NA
6	Shri G C Murmu	12	-	-
7	Shri B N Makhija	1	-	1
8	Shri H H Faruqi	-	-	-
9	Dr. B C Jain	-	-	-
10	Shri Mahesh Kheria (Alternate to Mr. S H Ruparell)	-	-	-
11	Shri Naresh Chandra	1	-	-
12	Shri S K Mukherjee	-	-	-
13	Shri P Sampath	1	-	-
14	Shri R S Jalan	1	-	2
15	Shri Tej Malhotra	-	-	-
16	Shri N S Ramachandran	-	-	-
17	Shri K K Ahuja	NA	NA	NA

Note: Directorship in Indian Private Limited Companies and Foreign companies are excluded.

During the financial year 2004-05, the Company has not entered into any transaction with its Non Executive Directors, which establishes any pecuniary relationship with them. Thus the requirement of Clause 49 has been duly complied with.

The minutes of the Board Meeting of Colwell and Salmon Communications (India) Limited, an unlisted subsidiary of the Company, was placed before the Board of GHCL Limited as required by Clause 49 (III) (iii) of the Listing Agreement.

The Audit Committee of the Board of GHCL Limited has also reviewed the financial statements of both the subsidiaries i.e. Colwell & Salmon Communications Inc, USA and Colwell and Salmon Communications (India) Limited.

The requirement of appointment of an Independent Director of GHCL Limited on the Board of Colwell and Salmon Communications (India) Limited is not mandatory as the turnover / net worth criteria as mentioned in the Listing Agreement is not applicable.

### 3. Committees of the Board

#### (i) Audit Committee

The Board of Directors has constituted a Committee named as Audit Committee comprising of three Independent Directors having expertise in financial and accounting areas. The Audit Committee is responsible for the enhancement and restoration of shareholder's confidence by promoting accountability and also to act as a catalyst for effective financial and auditing practices by playing the role of Board's oversight function.

Audit Committee of the Board has been constituted as per Section 292 A of the Companies Act, 1956 and the guidelines set out in the Listing Agreement with the Stock Exchanges.

#### Terms of Reference:

The broad terms of reference of the Audit Committee are to review reports of the Internal Audit Department and discuss the same with the Internal Auditors periodically, to meet Statutory Auditors to discuss their findings, suggestions and other related matters and to review weaknesses in internal controls reported by Internal and Statutory Auditors. The scope of activities of the Audit Committee include the areas prescribed by Clause 49 II(D) and has been granted powers as prescribed under Clause 49 II (C) of the Listing Agreement.

The executive summary of the Audit Committee Meeting are placed before the immediate Board Meeting held after the Audit Committee for deliberation and the full minutes of the same are placed before the next Board Meeting for record. The Chairman of the Audit Committee apprises the Board on the recommendations made by the Committee. Further, at the beginning of the financial year, the Committee discusses the plan for the internal audit and statutory audit.

Dates of the Audit Committee Meeting are fixed in advance and agenda papers are circulated to the Directors at least seven days before the meeting.

The Audit Committee of the Board met five times during the financial year ended March 31, 2005 and per the requirement of the Listing Agreement, the gap between any two meeting of the Committee is less than four months. The adequate quorums were present at every Audit Committee Meeting. The Composition of Audit Committee and attendance of members at the meeting are given herein below:

	Name of the Committee members		
	Dr. B C Jain - Chairman of the Committee	Mr. H H Faruqi*	Mr. P K Pujari
Category	Independent Director (Expertise in Banking & Finance)	Independent Director (Expertise in Insurance & Finance)	Independent Director-Nominee GILC Ltd. (Expertise in Finance)
Date of the Meeting			
30-Apr-04	Yes	Yes	No
25-Jun-04	Yes	Yes	No
29-Jul-04	Yes	Yes	Yes
27-Oct-04	Yes	Yes	No
25-Jan-04	Yes	NA	Yes
% of Total attendance	100%	100%	40%
Whether attended Last AGM (Yes/ No)	Yes	Yes	No

Note: \*Mr. H H Faruqi ceased to be a Director on the Board of the Company w.e.f. January 04, 2005 as a nominee of LIC of India. He was appointed on the Board of the Company in Board Meeting held on January 25, 2005 as an Additional Director (Independent). He has attended all the Audit Committee Meeting held during his tenure as a member of Audit Committee.

Jt. Managing Directors, Head of Accounts & Finance, Statutory Auditors, Cost Auditors were invitees to the Audit Committee Meeting.

Secretary of the Company is the Secretary of the Committee.



The Company has complied with the requirements of Clause 49 II (A) as regards composition of the Audit Committee. Dr. B C Jain, Chairman of the Audit Committee is an expert in Banking and Finance and he was present in the 21<sup>st</sup> Annual General Meeting held on September 24, 2004 to answer the queries of shareholders.

As required under Clause 49(III)(E) of the Listing Agreement, the Audit Committee had reviewed the following information;

- Management Discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions submitted by management.
- Management letter(s)/letters of Internal control, weaknesses issued by the Statutory Auditor.
- Internal Auditor Reports relating to internal control weaknesses.
- Appointment, removal and terms of remuneration of the internal auditors.
- Financial statements of Colwell and Salmon Communications (India) Limited and Colwell & Salmon Communications Inc. USA, unlisted subsidiaries of the Company.

**(ii) Remuneration Committee:**

The Company is transparent in compensation policy of Directors. The Remuneration Committee of the Company was constituted as early as 1995. The Remuneration Committee sets the overall policy on remuneration and the other terms of employment of Executive Directors of the Company within the overall ceiling fixed by members of the Company and recommend the same for the approval of the Board. The Committee recommends remuneration package of Executive Directors to the Board by reference to individual performance, experience and market conditions with a view to providing a package which is appropriate for the responsibilities involved.

The executive summary of the Remuneration Committee Meeting is placed before the immediate Board Meeting held after the Remuneration Committee for deliberation and the full minutes of the same are placed before the next Board Meeting for record.

Dates of the Remuneration Committee Meeting are fixed in advance and agenda papers are circulated to the Directors in advance.

During the financial year ended March 31, 2005, the Remuneration Committee had met on May 01, 2004.

The Remuneration Committee of the Board comprises of Non-Executive Directors and the details of meeting attended by the Directors are as follows:

COMPOSITION AND ATTENDANCE OF MEMBERS AT THE REMUNERATION COMMITTEE MEETING HELD DURING THE FINANCIAL YEAR 2004-05			
	Name of the Committee Members		
	Mr. Sanjay Dalmia - Chairman	Dr. B.C Jain	Mr. H.H Faruqi
Category of Director (NED/ID)	Non Executive Director (Industrialist)	Independent Director (Expertise in Banking & Finance)	Independent Director (Expertise in Insurance & Finance)
Date of the Meeting			
1-May-04	Yes	Yes	Yes
% of Total Attendance	100%	100%	100%
Whether attended Last AGM (Yes/No)	Yes	Yes	Yes

**Remuneration Policy:**

Payment of remuneration to the Managing / Whole Time Director is governed by the respective Agreements executed between them and the Company. These Agreements were approved by the Board and the Shareholders. Their Remuneration structure comprises salary / commission linked to profits, perquisites and allowances, contribution to provident fund and Superannuation. The Non - Executive Directors do not draw any remuneration from the Company other than the sitting fee and such commission as may be determined by the Board from time to time.

Details of remuneration, commission and sitting fee paid/payable to the Directors of the Company for the financial year 2004-05 are given below:

Non-Wholetime Directors (in Rupees)		
Name	Sitting Fees	Commission <sup>Ø</sup>
Mr. Sanjay Dalmia	45,000	5,00,000
Mr. Anurag Dalmia	30,000	5,00,000
Mr. D Rajagopalan <sup>1</sup>	20,000	5,00,000
Mr. P K Pujari <sup>1</sup>	25,000	5,00,000
Mr. P D Vaghela <sup>1</sup>	15,000	2,10,959
Mr. G C Murmu <sup>1</sup>	5,000	2,89,041
Mr. B N Makhija <sup>2</sup>	30,000	5,00,000
Mr. H H Faruqi <sup>2</sup>	65,000	4,72,603
Dr. B C Jain	70,000	5,00,000
Mr. Mahesh Kheria (Alternate to Mr. S H Ruparell)	30,000	5,00,000
Mr. Naresh Chandra	10,000	5,00,000
Mr. S K Mukherjee	30,000	5,00,000
<b>TOTAL</b>	<b>3,75,000</b>	<b>54,72,603</b>

<sup>1</sup>Sitting Fees and Commission paid to GIIC Ltd.

<sup>2</sup>Commission paid to Institutions which they represent. However, in the case of Mr. H H Faruqi pro-rata commission of (Rs. 90,411) for the period January 25, 2005 to March 31, 2005 will be paid directly to him and for the period April 1, 2004 to January 4, 2005 will be paid to LIC of India.

Note: Commission payable to some or any one of the Non Whole Time Director shall in aggregate not exceed 1 % per annum of the net profit of the Company calculated under the provisions of the Companies Act, 1956.

**Whole Time Directors**

(in Rupees)		
Name	Salary and other perquisites*	Commission
Mr. P Sampath	30,15,828	40,00,000
Mr. R S Jalan	27,09,930	40,00,000
Mr. Tej Malhotra	19,28,974	22,00,000
Mr. N S Ramachandran	25,70,757	12,00,000
Mr. K K Ahuja**	6,04,132	-

\* Includes Company's contribution to Provident Fund and Superannuation Fund.

\*\* Mr. K K Ahuja resigned from the Board of the Company with effect from June 30, 2004.



**Notes:**

- (a) The agreement with the Whole Time Directors is for a period of five years. Either party to the agreement is entitled to terminate the agreement by giving six calendar months prior notice in writing to the other party.
- (b) Presently the Company does not have a scheme of Stock Options either to Whole Time Directors or employees of the Company.

**(iii) Shareholders Grievance Committee:**

The Board has constituted Shareholders Grievance Committee in April, 2001, in order to expedite the process of redressal of complaints like transfer of shares, non – receipts of Balance Sheet, non - receipts of declared dividends, etc. The Committee meets at least once in a fortnight to expedite all matters relating to Shareholders / Investors Grievances. During the year 2004-05, twenty-four Meeting of the Committee were held. The composition of Committee as on March 31, 2005 is as under:

S. No	Name	Status
1	Mr. Anurag Dalmia	Chairman
2	Mr. Mahesh Kheria	Member
3	Mr. P Sampath	Member
4	Mr. R S Jalan	Member
5	Mr. N S Ramachandran	Member

The Company addresses all complaints and grievances expeditiously and replies are sent/issues resolved usually within fifteen days, unless there is a dispute or other legal constraints. The Company received 19 shareholders complaints from Stock Exchanges and SEBI which inter – alia include non-receipts of dividend and share transfer (include demat etc.) and annual report. The Complaints were duly attended to and the Company has furnished necessary documents /information to the shareholders.

**Status of Total Complaints received during the financial year 2004-05 are given below:**

S. No.	Type of Complaints	Total No. of Complaints received during 2004-05	Total No. of Complaints resolved during 2004-05	Total No. of Complaints pending as on 31.3.2005
1	Non – receipt of dividend	412	412	0
2	Share transfer including D mat request.	169	169	0
3	Non receipt of Annual Report	62	62	0

The shareholders Grievance Committee reviews every complaint received and appropriate action is taken promptly. No requests for share transfer or payment of dividend are pending except those that are disputed or sub – judice.

Mr. Bhuneshwar Mishra, Jt. Company Secretary of the Company was present at all Meeting of the Committee as a Secretary of the Committee.

Mr. Bhuneshwar Mishra, Jt. Company Secretary is the Compliance Officer of the Company alongwith Mr. Pramod Mehendale, Intime Spectrum Registry Limited (Share Transfer Registrar of the Company)

**(iv) Banking and Operations Committee**

In order to expedite the day to day functioning and exercise of delegated power of the Board “Banking & Operations Committee” is in existence. This Committee meets as per the requirement of business, to expedite all matters relating to operations and granting authority for various functional requirements in line with the delegated authority of Board of Directors from time to time. The composition of the Committee as on March 31, 2005 is as under:

S. No	Name	Status
1	Mr. P Sampath – Joint Managing Director	Member
2	Mr. R S Jalan – Joint Managing Director	Member
3	Mr. Tej Malhotra – Executive Director (Operations)	Member
4	Mr. N S Ramachandran –Executive Director (Marketing)	Member

**4. General Body Meeting:**

- a) The last three Annual General Meeting of the Company were held within the Statutory Time period and the details of the same are reproduced herein below

Financial Year	Date	Time	Venue
2003-2004	24.9. 2004	10.30 AM	The Institutions of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad–380 006
2002-2003	26.9.2003	11.00 AM	The Institutions of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad–380 006
2001-2002	24.9.2002	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad – 380 006

The last two Extra – Ordinary General Meeting were held as under:

Financial Year	Date	Time	Venue
2000-2001	8.12.2000	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad
1999-2000	3.12.1999	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad

**(b) Special Resolutions:**

The following special resolutions were passed in previous Three Annual General Meeting.

**Year 2003-04**

- Appointment of Statutory Auditors

**Year 2002-03**

- Appointment of Statutory Auditors



- Delisting of shares.
- Change of Name of the Company

**Year 2001-02**

- Appointment of Statutory Auditors
  - Amendment in Articles of Association – Provisions relating to retirement of Directors by rotation.
  - Insertion of new articles in Articles of Association – Provisions relating to convening of meeting through Audio – Visual media or any other mode
  - Delisting of shares
- (c) No Special Resolution was passed in year 2003-04 through postal ballot and hence the provisions relating to postal ballot were not applicable.
- (d) All Special Resolutions moved at the above AGMs were unanimously passed by a show of hands by the shareholders present at the meeting and no resolutions were put to vote by postal ballot.

**5. Disclosures:**

**Disclosure on materially significant related party transactions**

No transaction of a material nature have been entered into by the Company with its promoters, Directors, or the management or relatives etc. that may have potential conflict of interest of the Company. Transactions with related parties are disclosed in the notes to the accounts in this Annual Report.

**Disclosure of accounting treatment in preparation of financial statements.**

GHCL Limited has followed the guidelines of Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) in the preparation of its financial statements.

**6. Means of communications:**

<b>PUBLICATION OF UNAUDITED QUARTERLY /HALFYEARLY RESULTS AND RELATED MATTERS</b>						
Sl. No.	Particulars		Quarter - I	Quarter - II	Quarter - III	Quarter - IV
1	English Newspapers in which quarterly results were published	Business Standard The Economic Times	July 31, 2004 -	October 19, 2004 -	January 26, 2005 -	June 24, 2005 June 25, 2005
2	Vernacular Newspapers in which quarterly results were published	Jansatta (Gujarati) Jai Hind (Gujarati)	July 31, 2004 -	October 19, 2004 -	January 26, 2005 -	- June 24, 2005
3	Website Address of the Company on which financial results are posted				<a href="http://www.ghclindia.com">www.ghclindia.com</a>	
4	Website Address of the Stock Exchange(s) on which financial results are posted		Quarter - I	Quarter - II	Quarter - III	Quarter - IV
	<b>Name of Stock Exchange (s)</b>	<b>Website Address (es)</b>	<b>Date of Filing of Results</b>			
	National Stock Exchange of India Limited (NSE)	<a href="http://www.nseindia.com">www.nseindia.com</a>	July 30, 2004	October 28, 2004	January 25, 2005	June 23, 2005
	Stock Exchange, Mumbai (BSE)	<a href="http://www.bseindia.com">www.bseindia.com</a>	July 30, 2004	October 28, 2004	January 25, 2005	June 23, 2005
<b>During financial year 2004-05, no presentation was made to Institutional Investors / Analysts</b>						

**Details of non compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority, on the matter related to capital markets, during the last three years.**

GHCL Limited has complied with all the requirement of regulatory authorities. No penalties/strictures were imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on the matter related to capital markets, during the last three years.

**Details of compliance with mandatory requirements and adoption of the non mandatory requirements of Clause 49 of the Listing Agreement**

**Code for prevention of insider trading practices**

In compliance with the SEBI regulation on prevention of Insider Trading, the Company has placed a comprehensive code of conduct for its management and its staff. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautioning them of the consequences of violations.

**Code of Conduct:**

GHCL Limited has well defined policy framework which lays down procedures to be adhered to by all Board Members and Senior Management for ethical professional conduct. The Code outlines fundamental ethical considerations as well as specified considerations that need to be maintained for professional conduct. The Directors Report contains the declaration to this effect that the Code of Conduct has been complied by the Board Members and Senior Management.

Pursuant to the requirement of Clause 51 of Listing Agreement, Company has also posted its quarterly and half yearly results through Electronic Data Information Filing and Retrieval (EDIFAR) on the website [www.sebi.edifar.nic.in](http://www.sebi.edifar.nic.in)

**7. Management Discussion and Analysis Report form part of this Annual Report**

The complete reports on Management Discussion and Analysis report are placed in the separate section of the Annual Report.



**8. General shareholder's Information:**

Sl. No.	Particulars	Details		Time	Venue
1	Annual General Meeting	Days	Date		
		Friday	September 2, 2005	10.30 am	The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad - 380 006 (Opp. Gajjar Hall)
2	Financial Calendar				
	Financial Reporting for - Quarter - I (ending June 30, 2005)	3rd / 4th week of July 2005			
	Financial Reporting for - Quarter - II (ending September 30, 2005)	3rd / 4th week of October 2005			
	Financial Reporting for - Quarter - III (ending December 31, 2005)	3rd / 4th week of January 2006			
	Financial Reporting for - Quarter - IV (ending December 31, 2005)	3rd / 4th week of April 2006			
3	Date of Book Closure	August 22, 2005 to September 2, 2005 (both days inclusive)			
4	Dividend Payment	Final Dividend @20.00% (i.e. Rs.2.00 per share) will be paid on or after September 7, 2005, if approved by the members in the ensuing Annual General Meeting			
5	Listing on Stock Exchanges			Stock Code	ISIN WITH NSDL & CDSL
	The Stock Exchange, Mumbai, Phiroze Jeejeebhoy, Dalal Street, Mumbai - 400 001			500171	INE 539 A01019
	National Stock Exchange of India Limited, "Exchange Plaza", Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051			GHCL	
	The Stock Exchange, Ahmedabad, KamDhenu Complex, Opp. Sahajanand College, Ahmedabad - 380 015			20850	
6	Listing fees: year 2004-05	Listing fee for all the aforesaid Stock Exchanges have been paid for the financial			
7	Details of Registrar and Share Transfer Agent	Intime Specturm Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078.			
		Phone: 022 55555454,		Fax: 022 55555353	
8	Outstanding GDRs/ ADRs / Warrants or any convertible instruments - Nil				
9	<b>Address for Correspondence</b>				
	<b>Share Transfer System:</b> Company processes the share transfer and other related shareholders services through Registrar & Share Transfer Agent (RTA) on a fortnight basis. The share transfer in physical form is registered within 15 days from the date of receipt, provided the documents are complete in all respects. For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non receipt of dividend or annual report or any other query relating to shares please write to <b>Intime Specturm Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078. Phone: 022 55555454, Fax: 022 55555353</b>				
	For General Correspondance: <b>GHCL Limited, "GHCL House" Opp. Punjabi Hall, Near Navrangpura, Ahmedabad - 380 009. Phone : 079 -26427818/26442677, 079-30918905, Fax: 079-26423623</b>				
10	<b>Dematerialization of Shares and Liquidity:</b> 88.27% of the outstanding shares have been dematerialized as on March 31, 2005. The trading in the Company's shares is permitted only in dematerialized form with effect from October 28, 2000 as per notification issued by SEBI.				
11	As required under Clause 49 (IV) (G) of Listing Agreement, particulars of Directors seeking appointment/ re appointment are given in Notice to the ensuing Annual General Meeting.				



**MONTHWISE STOCK MARKET DATA (BSE & NSE) RELATING TO EQUITY SHARES OF THE COMPANY FOR THE PERIOD APRIL 01, 2004 TO MARCH 31, 2005**

**MARKET PRICE DATA**

Month of the year 2004-2005	BSE, MUMBAI										NSE, MUMBAI		
	Share Price		Sensex		Total Trading	Share Price		CNX NIFTY		Traded Quantity			
	High	Low	High	Low		High	Low	High	Low				
April	26.50	23.45	5,979.25	5,599.12	872,526	26.50	23.50	1,912.35	1,771.45	1,410,353			
May	25.05	20.45	5,772.64	4,227.50	864,786	25.00	20.70	1,873.95	1,388.75	1,605,503			
June	22.70	20.30	5,012.52	4,613.94	399,913	22.90	20.30	1,566.50	1,437.90	695,766			
July	24.35	20.55	5,200.85	4,723.04	410,609	24.30	21.45	1,638.70	1,472.55	978,161			
August	24.45	21.85	5,269.22	5,022.29	1,274,151	24.35	21.90	1,658.90	1,573.70	2,067,643			
September	25.85	21.00	5,638.79	5,178.57	2,686,270	26.00	21.05	1,760.80	1,619.20	4,171,005			
October	24.90	21.30	5,803.82	5,58.14	1,355,924	26.40	21.35	1,829.45	1,737.85	2,663,992			
November	29.25	21.05	6,248.43	5,649.03	5,433,621	29.40	21.30	1,963.80	1,776.70	10,620,263			
December	38.00	25.00	6,617.75	6,176.09	17,057,142	38.00	25.00	2,088.45	1,944.50	35,479,058			
January	39.20	29.15	6,696.31	6,069.33	9,747,414	39.40	29.00	2,120.15	1,894.40	22,600,560			
February	45.90	37.25	6,721.08	6,508.33	12,457,505	45.75	37.25	2,110.15	2,036.60	25,652,719			
March	48.60	38.60	6,954.86	6,321.21	13,484,970	48.60	38.65	2,183.45	1,971.15	27,093,554			



Performance in comparison to broad based indices such as NSE



**Shareholders Referencer**

**Unclaimed Dividend**

Pursuant to Section 205 A of the Companies Act, 1956 unclaimed dividend for the financial years 1996-97 has been transferred to the Investors Education and Protection Fund established by the Central Government (IEPF) pursuant to Section 205 C of the Companies Act, 1956 and no claim shall lie with the Company in respect of the unclaimed dividend transferred to IEPF for the financial year 1996-97.

The dividend for the following years remaining unclaimed for seven years will be transferred by the Company to IEPF according to the schedule given below. Shareholders who have not so far encashed their dividend warrant (s) or have not received the same are requested to seek issue of duplicate warrant (s) by writing to the Intime Spectrum Registry Limited confirming non – encashment / non receipt of dividend warrant (s). Once the unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof.

Financial Year	Date of AGM	Due for Transfer to IEPF
1997-98	09-09-1998	October 2005
1998-99	08-09-1999	October 2006
1999-00*	20-09-2000	May 2007
2000-01	21-09-2001	September 2008
2001-02	24-09-2002	September 2009
2002-03	26-09-2003	September 2010
2003-04	24-09-2004	September 2011

\*Interim dividend

**DISTRIBUTION OF SHAREHOLDING AS ON 31<sup>ST</sup> MARCH 2005**

No. of Shares held of Rs. 10 each between	No. of shareholders holding	% of total share holding	No. of shares	% of total shares
From 1 To 2,500	43,743	68.12	53,91,378	5.67
2,501 To 5,000	11,772	18.33	48,76,174	5.13
5,001 To 10,000	4,856	7.56	42,92,156	4.51
10,001 To 20,000	1,850	2.89	30,17,841	3.17
20,001 To 30,000	575	0.89	15,04,326	1.58
30,001 To 40,000	283	0.44	10,50,488	1.10
40,001 To 50,000	386	0.60	18,85,548	1.98
50,001 To 1,00,000	392	0.61	30,17,989	3.17
1,00,001 To Above	360	0.56	7,00,52,511	73.69
	<b>64,217</b>	<b>100.00</b>	<b>9,50,88,411</b>	<b>100.00</b>

**SHAREHOLDING PATTERN AS ON 31<sup>ST</sup> MARCH 2005**

Category	No of shares held	% of shareholding
1 Promoters		
Indian Promoters	3,85,61,164	40.55
Foreign Promoters	35,07,900	3.69
2 Persons Acting in concert – Directors & relatives	450	0.00
<b>Sub-Total</b>	<b>4,20,73,514</b>	<b>44.25</b>

**B Non-Promoters Holding**

3 Institutional Investors		
a Mutual Funds and UTI	15,28,860	1.61
b Banks, Financial Institutions, Insurance Companies Central / State Govt. Institutions / Non Government Institutions)	79,43,845	8.35
c FIIs	12,07,143	1.27
<b>Sub-Total</b>	<b>1,06,79,848</b>	<b>11.23</b>
4 Others		
a Private Corporate Bodies	1,21,13,693	12.74
b Indian Public	2,75,74,940	29.00
c NRIs/OCBs	21,55,349	2.27
d Any other- Clearing Members	4,91,067	0.52
<b>Sub-Total</b>	<b>4,23,35,049</b>	<b>44.52</b>
<b>Grand Total</b>	<b>9,50,88,411</b>	<b>100.00%</b>

**Plant Locations:**

<b>Soda Ash Plant</b>	Village: Sutrapada Near Veraval, Dist. Junagarh – 362 265 Gujarat
<b>Salt Works &amp; Refinery</b>	(a) Ayyakaramulam Kadinalvayal - 614 707 Dist. Nagapattinam, Tamilnadu (b) Nemeli Road Thiruporur - 603 110 Tamilnadu
<b>Textile Division</b>	(a) Samayanallur P.O, Madurai-625 402. (b) Thaikesar Alai P.O, Manaparai-621 312 (c) 15-17, Mohid Tower Daman Road, ChalaVapi - 396 191, Valsad, District Gujarat, India
<b>ITES Division</b>	C – 39 Sector – 58, NOIDA
<b>Energy Division</b>	(a) Muppandal, Irukkandurai Village Sankaneri Post Radhapuram Taluk, Tirunelveli District Tamilnadu (b) Chinnaputhur village, Dharapuram Taluk, Erode District, Tamil Nadu

**AUDITORS' CERTIFICATE**

To the Members of  
GHCL LIMITED

We have examined the compliance of conditions of Corporate Governance by GHCL Limited ('the Company'), for the year ended on 31<sup>st</sup> March, 2005, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges.

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.

On the basis of confirmation received from the Company's Registrar and Share Transfer Agents and as per the records maintained by the Company which are presented to the Shareholders'/Investors' Grievance Committee, we state that as at 31<sup>st</sup> March, 2005, no investor grievances were pending against the Company for a period exceeding 30 days.

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

For and on behalf of  
JAYANTILAL THAKKAR & CO.  
Chartered Accountants

For and on behalf of  
RAHUL GAUTAM DIVAN & ASSOCIATES  
Chartered Accountants

(C.V.THAKKER)  
Partner  
Membership No: 6205

(RAHULDIVAN)  
Partner  
Membership No: 100733

Place : Mumbai  
Date : 20<sup>th</sup> July, 2005

**AUDITORS' REPORT**

To the Members of  
GHCL LIMITED

1. We have audited the attached Balance Sheet of GHCL Limited as at 31 March 2005 and also the Profit and Loss Account annexed thereto and the Cash Flow Statement for the year ended on that date. 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. As required by the Companies (Auditor's Report) Order 2003 as amended, issued by the Central Government of India 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.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
  - a. 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;
  - b. 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 such books;
  - c. The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, the Profit and Loss Account and the 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;
  - e. On the basis of the written representations received from the Directors as at 31 March 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2005 from being appointed as a director.
  - f. 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:
    - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2005;
    - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of  
JAYANTILAL THAKKAR & CO.  
Chartered Accountants

For and on behalf of  
RAHUL GAUTAM DIVAN & ASSOCIATES  
Chartered Accountants

(C. V. THAKKER)  
Partner  
Membership No.6205  
Place : Camp Delhi  
Date : 23<sup>rd</sup> June, 2005

(RAHUL DIVAN)  
Partner  
Membership No.100733

**ANNEXURE TO THE AUDITORS' REPORT**

(Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of GHCL Limited on the accounts for the year ended 31 March 2005.)

- (i)
  - (a) In our opinion, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) As explained to us, some of the fixed assets have been physically verified by the management according to a programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
  - (c) In our opinion and according to explanations given to us, fixed assets disposed off during the year were not substantial and as such the disposal has not affected the going concern status of the Company.
- (ii)
  - (a) As explained to us, physical verification of inventory has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material and these have been properly dealt with in the books of account.
- (iii) In our opinion and according to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties as covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (b) (c) (d) (f) and (g) of the order are not applicable.
- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v)
  - (a) In our opinion and according to the information and explanations given to us, there are no contracts and arrangements, particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA and other relevant provisions of the Companies Act, 1956, and the rules framed thereunder. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.





- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records have been prescribed 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 maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) (a) According to the records of the Company and the information and explanations given to us, the Company has been regularly depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee State Insurance, Income tax, Sales Tax, Wealth tax, Service tax, Customs Duty, Excise Duty, Cess and any other statutory dues applicable to it. There are no undisputed statutory dues as referred to above as at 31 March 2005 outstanding for a period of more than six months from the date they become payable.
- (b) The disputed statutory dues aggregating to Rs.1644.50 lakhs that have not been deposited on account of matters pending before the appropriate authority are as under:

Sr. No.	Name of the statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount (Rs. lakhs)
1	Income Tax Act, 1961	Disallowance of deduction expenses	Commissioner of Income Tax (Appeal)	2002-03	30.91
2	Income Tax Act, 1961	Penalty	Commissioner of Income Tax (Appeal)	2001-02	13.04
3	Income Tax Act, 1961	Disallowance of deduction	Income Tax Appellate Tribunal	2001-02	10.00
4	Central Excise Act, 1944	CENVAT credit	CESTAT	2003-04	0.48
5	Central Excise Act, 1944	CENVAT credit and valuation of Goods	CESTAT	2004-05	56.03
6	Central Excise Act, 1944	CENVAT credit	CESTAT	1997-98	2.02
7	Central Sales Tax Act, 1956	Turn over tax	Gujarat Sales Tax Tribunal	1993-94	1476.68
8	Urban Land Tax Act	Urban Land Tax	Madurai Corporation	1981-2005	55.34



- (x) According to the records of the Company, the Company neither has any accumulated losses at the end of the financial year nor has incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks or financial institutions.
- (xii) Based on our audit procedures and according to the information and explanations given by the management, we are of the opinion that since the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, it is not required to maintain records in respect thereof.
- (xiii) The Company is not a chit fund/nidhi/mutual benefit fund/society to which the provisions of special statute relating to chit fund are applicable. Accordingly paragraph 4(xiii) of the Order is not applicable.
- (xiv) According to the information and explanations given by management, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, paragraph 4(xiv) of the Order is not applicable.
- (xv) Based on our examination of the records, we are of the opinion that the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are prima facie not prejudicial to the interest of the Company.
- (xvi) In our opinion, the term loans have been applied for the purposes for which they were obtained.
- (xvii) Based on our examination of the balance sheet and cash flows of the Company as at 31 March 2005, and according to the information and explanations given to us, we report that funds raised on a short-term basis have not been used for long-term investment.
- (xviii) During the year, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(xviii) of the Order is not applicable.
- (xix) On the basis of records made available to us and according to the information and explanations given by the management, securities have been created in respect of debentures issued.
- (xx) During the year, the Company has not raised money by way of public issue. Accordingly, paragraph 4(xx) of the Order is not applicable.
- (xxi) Based on the audit procedures performed and according to 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 year.

For and on behalf of  
**JAYANTILAL THAKKAR & CO.**  
 Chartered Accountants

For and on behalf of  
**RAHUL GAUTAM DIVAN & ASSOCIATES**  
 Chartered Accountants

(C. V. THAKKER)  
 Partner  
 Membership No.6205

(RAHUL DIVAN)  
 Partner  
 Membership No.100733

Place : Camp Delhi  
 Dated : 23<sup>rd</sup> June, 2005



**BALANCE SHEET AS AT 31ST MARCH, 2005**

	Schedules	As at 31.03.2005 (Rs in lacs)	As at 31.03.2004 (Rs in lacs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Funds</b>			
Capital	1	9,508.84	9,508.84
Reserves and Surplus	2	<u>15,381.20</u>	<u>13,495.23</u>
		<b>24,890.04</b>	23,004.07
<b>Loan Funds</b>			
Secured Loans	3	20,081.96	14,988.14
Unsecured Loans	4	<u>46.86</u>	<u>325.85</u>
		<b>20,128.82</b>	15,313.99
<b>Deferred Tax Liability</b>			
		<u>7,998.70</u>	<u>7,003.75</u>
<b>Total</b>		<b><u>53,017.56</u></b>	<b><u>45,321.81</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block		72,761.28	66,025.34
Less : Depreciation		<u>34,970.59</u>	<u>31,454.00</u>
Net Block	5	<u>37,790.69</u>	34,571.34
Capital Work-in-Progress		309.84	97.49
Advances against capital expenditure		<u>258.06</u>	<u>80.59</u>
		<b>38,358.59</b>	34,749.42
<b>Investments</b>	6	<b>2,368.31</b>	1,339.48
<b>Current Assets, Loans and Advances</b>			
Inventories		9,436.00	8,179.34
Sundry Debtors		7,107.72	5,341.39
Cash and Bank Balances		3,251.76	3,164.99
Loans and Advances		<u>8,563.97</u>	<u>5,677.99</u>
		<b>28,359.45</b>	<u>22,363.71</u>
<b>Less : Current Liabilities and Provisions</b>			
Liabilities	8	14,784.52	12,651.53
Provisions		<u>2,193.98</u>	<u>1,652.93</u>
		<b>16,978.50</b>	14,304.46
<b>Net Current Assets</b>		<b>11,380.95</b>	8,059.25
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)			
Deferred Revenue Expenses		<b>909.71</b>	1,173.66
<b>Total</b>		<b><u>53,017.56</u></b>	<b><u>45,321.81</u></b>

**Notes on Accounts**

16

**The Schedules referred to above form an integral part of the Balance Sheet**

As per our report attached

For and on behalf of  
Jayantilal Thakkar & Co.  
Chartered Accountants

For and on behalf of  
Rahul Gautam Divan & Associates  
Chartered Accountants

Sanjay Dalmia  
Chairman

P. Sampath  
Joint Managing Director

(C. V. Thakker)  
Partner

(Rahul Divan)  
Partner

Dr B.C.Jain  
Director

R. S. Jalan  
Joint Managing Director

H.H.Faruqi  
Director

J. P. Mehrotra  
Sr. General Manager (Finance) &  
Company Secretary

Place : Camp Delhi  
Date : 23<sup>rd</sup> June, 2005

Place : New Delhi  
Date : 23<sup>rd</sup> June, 2005



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2005**

	Schedules	2004-05 (Rs in lacs)	2003-04 (Rs in lacs)
<b>INCOME</b>			
Sales- Gross		58955.03	51703.29
Less: Excise Duty & Sales Tax		<u>6962.11</u>	<u>6297.46</u>
Income from Services		531.07	752.26
Other Income	9	<u>808.75</u>	<u>771.70</u>
<b>TOTAL INCOME</b>		<u><b>53,332.74</b></u>	<u><b>46,929.79</b></u>
<b>EXPENDITURE</b>			
Manufacturing Expenses	10	29,838.29	25,491.66
Purchase of Trading Goods		1,086.54	1,786.47
Payments to and Provisions for employees	11	3,165.99	3,449.22
Administrative and Miscellaneous Expenses	12	2,968.79	3,318.79
Selling and Distribution Expenses	13	4,923.09	4,509.46
Excise Duty on Stock		(69.88)	112.12
(Increase)/Decrease in Stock	14	<u>142.78</u>	<u>(644.49)</u>
<b>SUB TOTAL</b>		<u><b>42,055.60</b></u>	<u><b>38,023.23</b></u>
Profit before Financial Expenses and Depreciation		11,277.14	8,906.56
Financial Expenses	15	<u>1,559.42</u>	<u>1,480.32</u>
Profit Before Depreciation		9,717.72	7,426.24
Depreciation / Amortisation		<u>3,567.02</u>	<u>3,294.93</u>
Profit Before Taxation		6,150.70	4,131.31
Provision for current Tax		<u>891.80</u>	<u>1,619.97</u>
<b>Profit/(Loss) before Deferred Tax</b>		<u><b>5,258.90</b></u>	<u><b>2,511.34</b></u>
Provision for Deferred Tax		<u>1,218.96</u>	<u>(497.94)</u>
<b>Profit For The Year after Tax</b>		<u><b>4,039.94</b></u>	<u><b>3,009.28</b></u>
Balance brought forward from previous year		7,754.40	6,955.74
Arrears of Depreciation/ Deferred Revenue Expenses		-	(312.63)
Provision of Earlier Years not Required		31.50	-
Excess/(short) provision for Tax for earlier year		(240.99)	23.05
Excess/(short) provision for Deferred Tax earlier year		<u>224.01</u>	<u>-</u>
Amount Available For Appropriation		<u><b>11,808.86</b></u>	<u><b>9,675.44</b></u>
<b>APPROPRIATIONS</b>			
Transfer to Debenture Redemption Reserve		107.14	157.85
Transfer to General Reserve		404.00	150.46
Proposed Dividend on Equity Shares		1,901.77	1,426.33
Tax on Dividend		266.72	186.40
Balance Carried To Balance Sheet		<u>9,129.23</u>	<u>7,754.40</u>
		<u><b>11,808.86</b></u>	<u><b>9,675.44</b></u>
Earning per Share - Basic & Diluted		4.26	2.86



**Notes on Accounts** 16  
**The Schedules referred to above form an integral part of the Profit and Loss Account**

As per our report attached

For and on behalf of  
 Jayantilal Thakkar & Co.  
 Chartered Accountants

For and on behalf of  
 Rahul Gautam Divan & Associates  
 Chartered Accountants

Sanjay Dalmia  
 Chairman

P. Sampath  
 Joint Managing Director

(C. V. Thakker)  
 Partner

(Rahul Divan)  
 Partner

Dr B.C.Jain  
 Director

R. S. Jalan  
 Joint Managing Director

H.H.Faruqi  
 Director

J. P. Mehrotra  
 Sr. General Manager (Finance) &  
 Company Secretary

Place : Camp Delhi  
 Date : 23<sup>rd</sup> June, 2005

Place : New Delhi  
 Date : 23<sup>rd</sup> June, 2005



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005**

	<b>2004-2005</b> <b>(Rs in lacs)</b>	<b>2003-2004</b> <b>(Rs in lacs)</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and Extraordinary items	<b>6,150.70</b>	4,131.31
<b>Adjustment for :</b>		
Depreciation	<b>3,567.02</b>	3,294.93
Foreign Exchange Gain	<b>(52.06)</b>	(43.80)
Income from Investments	<b>(2.20)</b>	(72.23)
Income From Dividend	<b>(1.08)</b>	(0.11)
Prior Period Expenditure	<b>31.50</b>	
(Profit)/Loss on Sales/Discarding on Fixed Assets (net)	<b>(543.06)</b>	(100.89)
Provision for Doubtful Debts	<b>(3.81)</b>	26.05
Provision for Leave encashment	<b>-</b>	48.00
Loss on Sale of Investments	<b>-</b>	400.44
Financial Expenses	<b>1,559.42</b>	1,476.37
	<b>(4,555.73)</b>	5,028.76
<b>Operating Profit before Working capital Changes</b>	<b>10,706.43</b>	9,160.07
<b>Adjustments for :</b>		
Trade & other Receivables	<b>(4,351.55)</b>	(4,180.19)
Inventories	<b>(1,256.66)</b>	(1,579.55)
Trade payables	<b>1,093.13</b>	1,130.04
	<b>(4,515.08)</b>	(4,629.70)
<b>Other Adjustments</b>		
Deferred Revenue Expenditure (to the extent not written off)	<b>263.95</b>	284.99
<b>Cash Generated from Operations</b>	<b>6,455.30</b>	4,815.36
Direct taxes paid	<b>(1,041.61)</b>	(1,594.26)
<b>Net cash from Operating Activities</b>	<b>5,413.69</b>	3,221.10
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<b>(7,398.28)</b>	(4,697.76)
Sale of Fixed Assets	<b>1,785.99</b>	2,436.64
(Purchase)/Sale of Investments	<b>(950.70)</b>	295.40
Investment/ Advances in Subsidiaries	<b>(480.97)</b>	476.64
Income from Investments	<b>2.20</b>	72.23
Interest Received	<b>84.92</b>	81.37
Dividend Received	<b>1.08</b>	0.11
<b>Net cash used in Investing Activities</b>	<b>(6,955.76)</b>	(1,335.37)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Secured Loans	<b>7,889.42</b>	5,885.80
Repayment of Secured Loans	<b>(2,795.60)</b>	(2,587.39)
Proceeds from Unsecured Loans	<b>-</b>	250.00
Repayment of Unsecured Loans	<b>(278.99)</b>	(98.39)
Gain on Exchange	<b>52.05</b>	43.80
Interest and Finance Charges Paid	<b>(1,643.29)</b>	(1,606.79)
Dividend and tax thereon paid	<b>(1,594.75)</b>	(2,447.69)
<b>Net Cash used in Financial Activities</b>	<b>1,628.84</b>	(560.66)
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>86.77</b>	1,325.07
<b>Cash and Cash Equivalents as at 1st April (Opening Balance)</b>	<b>3,164.99</b>	1,839.92
<b>Cash and Cash Equivalents as at 31st March (Closing Balance)</b>	<b>3,251.76</b>	3,164.99
<b>Note : Cash and Cash Equivalents as at 31st March</b>	<b>3,251.76</b>	3,164.99
<b>Effect of exchange rate changes Gain/(Loss)</b>	<b>-</b>	-
<b>Cash &amp; Cash Equivalents as restated</b>	<b>3,251.76</b>	3,164.99

As per our report attached

For and on behalf of  
Jayantilal Thakkar & Co.  
Chartered Accountants

For and on behalf of  
Rahul Gautam Divan & Associates  
Chartered Accountants

Sanjay Dalmia  
Chairman

P. Sampath  
Joint Managing Director

(C. V. Thakker)  
Partner

(Rahul Divan)  
Partner

Dr B.C.Jain  
Director

R. S. Jalan  
Joint Managing Director

H.H.Faruqi  
Director

J. P. Mehrotra  
Sr. General Manager (Finance) &  
Company Secretary

Place : Camp Delhi  
Date : 23<sup>rd</sup> June, 2005

Place : New Delhi  
Date : 23<sup>rd</sup> June, 2005


**SCHEDULES FORMING PART OF THE BALANCE SHEET**
**SCHEDULE 1 : SHARE CAPITAL**

	As at 31.03.2005 (Rs in lacs)	As at 31.03.2004 (Rs in lacs)
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
10,00,00,000 Equity Shares of Rs. 10/- each	10,000.00	10,000.00
2,50,00,000 Cumulative Redeemable Preference Shares of Rs. 10/- each	2,500.00	2,500.00
	<u>12,500.00</u>	<u>12,500.00</u>
<b>Issued, Subscribed and Paid up</b>		
9,50,88,411 Equity Shares of Rs. 10/- each fully paid up	9,508.84	9,508.84
	<u>9,508.84</u>	<u>9,508.84</u>

**Notes :**

Of the above

- 2,12,50,400 Equity Shares of Rs. 10/- each fully paid up were issued to Financial Institution at par on conversion of loan of Rs 2125.04 lacs.
- 18,38,011 Equity Shares of Rs. 10/- each are issued as fully paid pursuant to the Scheme of Amalgamation for consideration other than cash .

**SCHEDULE 2 : RESERVES AND SURPLUS**

	As at 31.03.2005 (Rs in lacs)	As at 31.03.2004 (Rs in lacs)
<b>CAPITAL RESERVE</b>		
Cash subsidy	22.75	22.75
Government Subsidy for Housing	2.95	2.95
Surplus on re-issue of forfeited shares	15.50	15.50
	<u>41.20</u>	<u>41.20</u>
<b>DEBENTURE REDEMPTION RESERVE</b>		
As per last Balance Sheet	1,821.24	1,663.39
Transfer from Profit and Loss Account	107.14	157.85
	<u>1,928.38</u>	<u>1,821.24</u>
<b>CAPITAL REDEMPTION RESERVE</b>		
As per last Balance Sheet	1,000.00	1,000.00
<b>INVESTMENT ALLOWANCE RESERVE</b>		
As per last Balance Sheet	1,086.00	1,086.00
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	1,792.39	1,641.93
Transfer from Profit and Loss Account	404.00	150.46
	<u>2,196.39</u>	<u>1,792.39</u>
<b>PROFIT AND LOSS ACCOUNT</b>		
Balance as per account annexed	9,129.23	7,754.40
<b>Total</b>	<u>15,381.20</u>	<u>13,495.23</u>



**SCHEDULE 3 : SECURED LOANS**

	<b>As at 31.03.2005 (Rs in lacs)</b>	<b>As at 31.03.2004 (Rs in lacs)</b>
<b>DEBENTURES</b>		
14.00% Non Convertible Debentures	-	167.00
13.50% Non Convertible Debentures	-	1,334.00
10.25% Non Convertible Debentures	<b>1,500.00</b>	1,500.00
10.00% Non Convertible Debentures	<b>2,750.00</b>	2,750.00
<b>FROM BANKS</b>		
Working Capital Loans	<b>5,035.97</b>	3,738.76
<b>FROM OTHERS</b>		
<b>Foreign Currency Loan</b>		
IDBI	<b>1,181.37</b>	1,652.68
Exim Bank	<b>483.42</b>	911.70
Rabo Bank	<b>1,968.74</b>	-
<b>Rupee Term Loan</b>		
Exim Bank	<b>3,281.14</b>	2,934.00
State Bank of Travancore	<b>1,146.22</b>	-
Canara Bank	<b>1,310.10</b>	-
G.E. Capital Services India Ltd.	<b>1,425.00</b>	-
<b>Total</b>	<b>20,081.96</b>	14,988.14

**Notes:**

1. a.) 14% Non Convertible Debentures privately placed with Central Bank of India were fully redeemed during the year.
- b.) 13.50% Non Convertible Debentures placed with Unit Trust of India was pre-paid during the year.
- c.) 10.25% (13%) Non-Convertible Debentures are privately placed with Industrial Development Bank of India and will be redeemed at par at the end of 7th year from the date of allotment i.e. 2nd Dec.1998.
- d.) 10% Non-Convertible Debentures privately placed with Financial Institutions and will be redeemed at par in three equal installments at the end of 5th, 6th, 7th year from the date of allotment i.e 28th April 2000, 25th August 2000 and 6th November 2000 and are secured by registered mortgage in favour of the Trustees on immovable properties of Soda Ash division situated at Village Sutrapada near Veraval, Gujarat and hypothecation of specified movable assets of Soda Ash Division.
- e.) All the above Non Convertible Debentures are secured by registered mortgage in favour of the Trustees on immovable properties of Soda Ash Division situated at (i) Village Sutrapada near Veraval and Ahmedabad in Gujarat (ii) Noida in Uttar Pradesh (iii) Kadwar, Taluka Veraval in Gujarat both present and future and hypothecation of specified movable assets of Soda Ash Division.
2. a.) Foreign Currency Loan from IDBI has been secured against first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at (1) Village Sutrapada and Kadwar, Veraval in Gujarat (2) Noida in U.P (3) Ahmedabad properties and hypothecation of specified movable assets of Soda Ash Division both present and future.
- b.) Foreign Currency Loan from Exim Bank is secured by way of exclusive first charge on moveable fixed assets pertaining to GHCL's ITES Division both existing and thereafter acquired.
- c.) Foreign Currency Loan from Rabo Bank has been secured against first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at village Sutrapada, Veraval in Gujarat and hypothecation of specified movable assets of Soda Ash Division both present and future.
3. a.) Rupee Term Loan from Exim Bank is secured by exclusive first charge by way of equitable mortgage on core assets of textile division situated at Paravai and Manaparai, Tamil Nadu and hypothecation of specified movable assets both present and future of the company's Textile Division. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
- b.) Rupee Term Loan from State Bank of Travancore is secured by an exclusive first charge by way of equitable mortgage on immovable properties pertaining to Wind Mill Division - I situated at Irukkandurai Village, Tirunelveli District in the state of Tamil Nadu and hypothecation of all present and future movable assets of Wind Mill Division-I. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
- c.) Rupee Term Loan from Canara Bank is secured by an exclusive first charge on all present and future movable assets of Wind Mill Division - II situated at Chinnaputhur, Near Poolavadi in the state of Tamil Nadu. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
- d.) Rupee Term Loan from GE Capital Services India Ltd. is secured by an exclusive first charge on all present movable assets of Edible Salt division situated at Thiruporur and Vedaranyam and Industrial Salt Division.



4. Working Capital Loans / Bill discounting from Banks / Financial Institutions are secured by way of hypothecation of stock-in-trade and book debts of Soda Ash / Edible Salt / Textile Divisions and second charge on other movable assets including plant & machineries and immovable assets of Soda Ash Division, both present and future.
5. Specified movable assets referred to in the above notes include all movable assets of Soda Ash Division (save and except book debts) both present and future but subject to prior charge created and / or that may be created in favour of company's Bankers on stock-in-trade for securing borrowing for working capital.

**SCHEDULE 4 : UNSECURED LOANS**

	<b>As at 31.03.2005 (Rs in lacs)</b>	<b>As at 31.03.2004 (Rs in lacs)</b>
Fixed Deposits	<b>3.39</b>	17.93
Other Loans and Advances :		
Interest free Sales Tax loan	<b>43.47</b>	57.92
Loan from Bank	-	250.00
<b>Total</b>	<b>46.86</b>	325.85

**SCHEDULE 5 : FIXED ASSETS**

(Rs. in lacs)

PARTICULARS	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK	
	As at 01.04.2004	Additions (Deletions)	As at 31.03.2005	As at 01.04.2004	Additions (Deletions)	As at 31.03.2005	As at 31.03.2005	As at 31.03.2004
<b>TANGIBLE ASSETS</b>								
Leasehold Land	600.63	-	600.63	71.27	4.88	76.15	524.48	529.36
Freehold Land	3,966.12	97.03 (1,122.46)	2,940.69	-	-	-	2,940.69	3,966.12
Buildings	8,329.15	243.36 (75.17)	8,497.34	1,866.45	197.70 (11.38)	2,052.77	6,444.57	6,462.70
Plant and Machinery	50,018.74	2,023.06 (57.45)	51,984.35	28,188.44	2,931.59 (17.64)	31,102.39	20,881.96	21,830.30
Furniture and Fixtures	702.28	8.50 (15.06)	695.72	235.66	42.78 (7.14)	271.30	424.42	466.62
Office Equipments	849.69	33.98 (1.11)	882.56	451.18	41.92 (0.09)	493.01	389.55	398.51
Vehicles	277.72	40.71 (22.97)	295.46	108.28	26.90 (15.04)	120.14	175.32	169.44
Wind Turbine Generators		4,082.12	4,082.12		48.57	48.57	4,033.55	-
Leased Mines	336.36	1,003.42 -	1,339.78	-	71.48	71.48	1,268.30	336.36
<b>INTANGIBLE ASSETS</b>								
Goodwill	262.32	-	262.32	157.39	52.47	209.86	52.46	104.93
Software	37.97	-	37.97	2.48	7.59	10.07	27.90	35.49
Salt Works Reservoirs and Pans	644.36	497.98	1,142.34	372.85	142.00	514.85	627.49	271.51
<b>Total</b>	<b>66,025.34</b>	<b>8,030.16 (1,294.22)</b>	<b>72,761.28</b>	<b>31,454.00</b>	<b>3,567.88 (51.29)</b>	<b>34,970.59</b>	<b>37,790.69</b>	<b>34,571.34</b>
Previous Year	64,332.46	4,546.05 (2,853.17)	66,025.34	28,363.85	*3607.57 (517.42)	31,454.00	34,571.34	-



1. Building include a sum of Rs. 91.36 Lacs (Previous Year 91.36 Lacs) being cost of office premises acquired on ownership basis.
2. Pending transfer of lease rights / extension of lease of salt fields at Vedranium (Tamil Nadu) the value of Rs. 450.00 paid has been apportioned to various assets as per the valuation report.
3. Leased mines represent expenditure incurred on development of mines.
4. Current Year Depreciation includes Rs. 0.86 Lacs capitalised as pre-operative expenses.
- \*5. Previous year depreciation includes arrears of depreciation and amortisation of Rs. 312.63 Lacs.



**SCHEDULE 6 : INVESTMENTS**

	<b>As at 31.03.2005 (Rs in lacs)</b>	<b>As at 31.03.2004 (Rs in lacs)</b>
<b>LONG TERM INVESTMENTS (AT COST)</b>		
<b>OTHER THAN TRADE</b>		
<b>Unquoted</b>		
Govt securities - 7 year National Savings Certificates (Pledged with Central Excise and other Authorities)	7.77	7.77
5000 Equity Shares of Rs 10/- each fully paid up of GHCL Co-operative Society Limited.	0.50	0.50
50 Equity shares of Rs. 20/- each fully paid up of Pudukottai Central Co op Supply & Marketing Society Limited.	0.01	0.01
10 Equity shares of Rs. 10/- each fully paid up of Pandian Co op Super Market Limited. ( Rs. 100/-)		
Nil (Previous Year 50) 15.75% Secured redeemable Non Convertible Bonds of Rs. 50000 each of Krishna Bhagya Jal Nigam Ltd (Redeemed during the year)	-	25.00
Nil (Previous year 15) 15.5% Secured redeemable non convertible regular return Bonds of Rs. 100000 each of Sardar Sarover Narmda Nigam Limited (Redeemed during the year)	-	15.00
<b>Shares in subsidiary company</b>		
750000 Equity shares of Rs. 10 each fully paid of Colwell & Salmon Communications (India) Ltd.	75.00	75.00
1666.6 (Previous Year 1519.6) shares of US \$ 1.00 each fully paid up of Colwell & Salmon Communications Inc, USA (Acquired 147 Shares during the Year)	1,242.37	1,164.24
<b>Quoted</b>		
16300 Equity shares of IDBI Bank Limited of Rs. 10/- each fully paid up	2.93	2.93
8300 Equity shares of HDFC Bank Limited of Rs. 10/- each fully paid up	0.83	0.83
57120 Equity shares of IDBI Limited of Rs. 10/- each fully paid up	46.41	46.41
2595 Equity shares of Dena Bank of Rs. 10/- each fully paid up (Acquired during the year)	0.70	
1860 Equity shares of Gnanambigai Mills Limited of Rs. 10/- each fully paid up	0.21	0.21
4500 Equity shares of Canara Bank of Rs. 10/- each fully paid up	1.58	1.58
<b>CURRENT INVESTMENTS (UNQUOTED)</b>		
(Acquired during the year) (At lower of cost and fair value - fully paid)		
3097301 Units of DSML Floating Rate Fund	340.00	-
458354 Units of Birla Floating Rate Fund Growth	50.00	-
1856229 Units of Reliance Treasury Plan Institutional Plan	300.00	-
2926059 Units of Ing Vysa Floating Rate Fund Growth	300.00	-
<b>Total</b>	<b>2,368.31</b>	<b>1,339.48</b>
	<b>As at 31.3.2005</b>	<b>As at 31.3.2004</b>
	<b>Book Value</b>	<b>Market Value</b>
Quoted	52.66	117.47
Others	2,315.65	1,287.52
	<b>2,368.31</b>	<b>1,339.48</b>

Figures of Rs.500 or less have been shown at actuals in brackets.




**DETAILS OF INVESTMENTS PURCHASED & SOLD DURING THE YEAR 2004-05**

Particulars of Investment	No. of Unit		
Birla Floating rate Fund Short Term Plan - Dividend Reinvest	2485568	ING Vysya Floating Rate Fund - Growth	6000237
Birla Floating rate Fund Short Term Plan - Growth	25700617	ING Vysya Liquid Fund Growth Option	3861703
DSP Merrill Lynch Floating Rate Fund - Growth	88815075	Reliance Floating Rate Fund - Growth Plan Growth Option	6308530
DSP Merrill Lynch Liquidity Fund Growth	1797389	Reliance Liquid Fund Cash Plan Growth Option Growth Plan	3825612
DSP Merrill Lynch Saving Plus Moderate - Growth	127360	RLF Treasury Plan - Institutional Option-Growth Option Growth Plan	909148
FT India Monthly Income Plan A Growth	94208	TATA INCOME FUND BONUS - BONUS UNITS	241903
GDGB Grindlays Dyanamic Bond Fund Inst Plan B Growth	819444	Templeton Floating Rate Income Fund Short Term Plan Growth	5263890
GFBG Grindlays Floating Rate Inst. Paln-B Growth	40626341	Templeton India Treasury Management Account	12921
HDFC Cash Management Fund Saving Plan Growth	2482568	UTI Floating Rate Fund Short Term Plan Growth	6675764
HDFC Floating Rate Inome Fund Stp Growth	19940164	UTI Liquid Cash Plan Regular- Growth Option	806891
HDFC Liquid Fund Growth	528079	UTI Money Market Fund - Growth Plan	2319255
			<b>219642666</b>

**SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES**

	As at 31.03.2005 (Rs in lacs)	As at 31.03.2004 (Rs in lacs)
<b>CURRENT ASSETS</b>		
<b>Inventory ( as taken, valued and certified by the Management)</b>		
At cost or net realisable value which ever is lower		
Raw materials	5,850.05	4,444.21
Finished goods	1,013.33	1,477.04
Stock in process	584.82	263.03
Stores and spares	1,987.80	1,995.06
<b>Total</b>	<b>9,436.00</b>	<b>8,179.34</b>
<b>Sundry Debtors (Unsecured, considered good unless stated otherwise)</b>		
Outstanding over six months		
Considered good	68.30	76.35
Considered doubtful	27.60	31.41
Provision for Doubtful Debts	(27.60)	(31.41)
Other debts	68.30	76.35
<b>Total</b>	<b>7,039.42</b>	<b>5,265.04</b>
	<b>7,107.72</b>	<b>5,341.39</b>
<b>Cash &amp; Bank Balances</b>		
Cash balance on hand	21.18	20.98
Balances with Scheduled Banks		
In Current Accounts	1,020.30	477.20
In Fixed deposit	602.00	265.49
(Pledged with Govt Authorities/Bank - Rs.65 Lacs)		
In Margin Account	392.14	1,340.86
Remittances in transit	1,216.14	1,060.46
<b>Total</b>	<b>3,251.76</b>	<b>3,164.99</b>
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	7,163.80	4,727.80
Due from wholly owned Subsidiary Company	716.09	313.25
Interest Accrued on Investments	4.79	4.18
Balances with Customs, Port Trust, Central excise etc.,	420.41	278.00
Income Tax paid/Tax Deducted at Source (net of provisions)	237.88	343.76
Fixed Deposits with Sardar Sarover Narmada Nigam Ltd. (Pledged with the Govt Authorities - Rs. 6.00 Lacs)	21.00	11.00
<b>Total</b>	<b>8,563.97</b>	<b>5,677.99</b>


**SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS**

	As at 31.03.2005 (Rs in lacs)	As at 31.03.2004 (Rs in lacs)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors for Goods and Expenses	5,387.17	5,279.21
Sundry Creditors for Capital Expenditure	1,414.79	393.96
Sundry Creditors-Small Scale Industrial Undertakings	97.07	9.98
Advances from Customers	512.18	359.96
Trade Deposits from Dealers	110.76	110.76
*Investor Education & Protection Fund shall be credited by		
–Unclaimed Dividend	237.42	219.44
–Unclaimed Fixed Deposits	14.30	17.26
–Interest Accrued on Unclaimed Fixed Deposits	7.69	3.43
Other liabilities	6,993.58	6,249.02
Interest accrued but not due	9.56	8.51
<b>Total</b>	<b>14,784.52</b>	<b>12,651.53</b>
<b>PROVISIONS</b>		
Wealth Tax	25.49	40.20
Proposed Dividend on Equity Shares	1,901.77	1,426.33
Tax on Dividend	266.72	186.40
<b>Total</b>	<b>2,193.98</b>	<b>1,652.93</b>

\* The figure reflects the position as of 31st March 2005. The actual amount to be transferred to the Investor Education & Protection Fund in this respect shall be determined on the due date.

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**
**SCHEDULE 9 : OTHER INCOME**

	2004-05 (Rs in lacs)	2003-04 (Rs in lacs)
Income on Investments (other than trade) (Tax Deducted at Source Rs. 0.30 lacs, Previous year Rs. 2.30 lacs)	2.20	72.23
Dividend Income	1.08	0.11
Gain on Exchange (net)	52.06	164.97
Profit on sale of assets (net)	543.06	100.89
Profit on sale of Investment	46.25	-
Recovery from Bad debts	7.00	1.05
Sundry Credit Balances Written back (net)	-	12.67
Rent Income	66.49	-
(Tax Deducted at Source Rs. 13.77 lacs, Previous year Nil)		
Provision for Doubtful Debts written back	3.81	-
Miscellaneous Income	86.80	419.78
<b>Total</b>	<b>808.75</b>	<b>771.70</b>

**SCHEDULE 10 : MANUFACTURING EXPENSES**

	2004-05 (Rs in lacs)	2003-04 (Rs in lacs)
Raw Materials Consumed	17,079.22	13,960.76
Stores and Spares	1,290.38	1,310.30
Repairs and Maintenance		
Machinery	603.55	704.92
Building	32.87	45.83
Others	85.52	76.28
	<b>721.94</b>	<b>827.03</b>
Power, Fuel and Water	7,513.14	7,017.43
Other Manufacturing Expenses	1,471.62	827.01
Packing Expenses	1,362.03	1,123.25
Operating Expenses for Services	399.96	425.88
<b>Total</b>	<b>29,838.29</b>	<b>25,491.66</b>


**SCHEDULE 11 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**

	2004-05 (Rs in lacs)	2003-04 (Rs in lacs)
Salaries, Wages and Bonus	2,530.45	2,658.58
Contribution to PF and other funds	439.24	550.61
Staff Welfare	196.30	192.03
Provision for Leave Encashment	-	48.00
<b>Total</b>	<b>3,165.99</b>	<b>3,449.22</b>

**SCHEDULE 12 : ADMINISTRATIVE AND MISCELLANEOUS EXPENSES**

	2004-05 (Rs in lacs)	2003-04 (Rs in lacs)
Travelling & Conveyance	457.86	534.01
Rent and Lease Rent	278.81	205.46
Rates and Taxes	56.28	76.71
Insurance	388.46	367.05
Commission to Directors	168.73	110.71
Communication Expenses	153.12	142.52
Legal & Professional Expenses	517.97	422.91
Miscellaneous Expenses	500.49	583.65
Loss on sale of Investment	-	400.44
Deferred Revenue Expenditure Written Off	418.34	446.37
Sundry Balances Written Off (net)	6.27	-
Bad Debts / Irrecoverable amounts written off (net)	4.91	0.34
Donation	17.55	2.57
Provision for Doubtful Debts	-	26.05
<b>Total</b>	<b>2,968.79</b>	<b>3,318.79</b>

**SCHEDULE 13 : SELLING AND DISTRIBUTION EXPENSES**

	2004-05 (Rs in lacs)	2003-04 (Rs in lacs)
Cash Discount	366.85	375.63
Freight and Forwarding	2,689.65	2,386.22
Commission on Sales	1,827.59	1,742.88
Rent on Godowns	39.00	4.73
<b>Total</b>	<b>4,923.09</b>	<b>4,509.46</b>

**SCHEDULE 14 : (INCREASE)/ DECREASE IN STOCK**

	2004-05 (Rs in lacs)	2003-04 (Rs in lacs)
<b>Opening stock</b>		
Finished Goods	1,477.04	949.30
Trading Goods	0.86	-
Stock in Process	263.03	147.14
	<b>1,740.93</b>	<b>1,096.44</b>
<b>Closing stock</b>		
Finished Goods	1,013.33	1,477.04
Trading Goods	-	0.86
Stock in Process	584.82	263.03
	<b>1,598.15</b>	<b>1,740.93</b>
(Increase)/Decrease in Stock	<b>142.78</b>	<b>(644.49)</b>

**SCHEDULE 15 : FINANCIAL EXPENSES**

	2004-05 (Rs in lacs)	2003-04 (Rs in lacs)
Interest - Fixed Loans	827.46	1,135.19
- Others	270.47	246.12
Other financial Charges	546.40	184.39
	<b>1,644.33</b>	<b>1,565.70</b>
Less : Interest from Subsidiaries	28.56	4.01
Less : Interest Income Others	56.35	81.37
<b>Total</b>	<b>1,559.42</b>	<b>1,480.32</b>



## SCHEDULE 16 : NOTES ON ACCOUNTS

### A. SIGNIFICANT ACCOUNTING POLICIES

#### General

The accounts are prepared under the historical cost convention using the accrual method.

#### Revenue Recognition

Sales represent value of goods sold and revenue from trade related activities as reduced by quality claims and rebates but includes excise duty, sales tax and export benefits under DFRC Scheme.

Export Services, Export Software and Domestic Software represents the value of the services rendered during the period.

#### Fixed Assets and Depreciation

Fixed Assets are stated at cost net of cenvat less depreciation and impairment loss, if any. Depreciation is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Intangible assets are depreciated on straight line basis over the useful life of the assets not exceeding ten years. Continuous process plant as defined therein have been taken on technical assessment and depreciation is provided accordingly. Assets acquired during the year whose cost does not exceed Rs. 5000 are fully depreciated in the year of acquisition. Depreciation is adjusted in subsequent periods to allocate the assets's revised carrying amount after the recognition of an impairment loss, if any, on systematic basis over its remaining life.

Exchange differences adjusted to the cost of assets are depreciated equally over the balance useful life of the assets. Assets of insignificant value are charged to revenue. Leases relating to land are amortized equally over the period of lease. Leased mines are depreciated over the estimated useful life of the mine or lease period, which ever is lower.

#### Impairment of Assets

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an assets's net selling price or its value in use. Value in use is the present value of estimated future cashflow expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties, less the costs of disposal.

#### Investments.

Investments are classified into current and long term investments. Current investments are stated at the lower of cost or fair value. Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments.

#### Inventories

Inventories comprising Raw Materials and Finished Goods are stated at cost or net realizable value, whichever is lower. Cost of Raw Materials is arrived at mainly on weighted average basis for every month. The cost of Finished Goods include material cost, cost of conversion, depreciation & other overheads to the extent applicable & excise duty.

Stock-in-process is valued at cost determined by taking material cost, labour charges, and direct expenses.

Stores and Spares are stated at cost less provision, if any, for obsolescence. The cost of Loose Tools is written off equally over three years.

Machinery Spares which are used only in connection with an item of Fixed Asset and whose use is not regular in nature are written off over the estimated useful life of the relevant asset.

#### Foreign Currency Transactions

Foreign exchange transactions are recorded at the rate prevailing on the date of transaction and exchange differences are dealt with in the Profit & Loss Account.

All exchange differences other than those relating to acquisition of Fixed Assets, arising from foreign currency transactions (including booking of forward contracts) remaining unsettled at year end are translated at the rates prevailing at the end of the year and are dealt with in the Profit & Loss Account.

Profit/Loss arising out of cancellation of forward contracts are taken to revenue in the year of cancellation.

Foreign Currency Accounts with the Banks are converted at the rates prevailing on the date of the Balance Sheet.

Exchange differences relating to borrowings for acquisition of fixed assets are adjusted to the cost of fixed assets.

#### Retirement Benefits

The Company makes regular contribution to provident fund and superannuation fund and these contributions are charged to the Profit & Loss Account.

The Company has taken a Group Gratuity Policy for payment of gratuities to the retiring employees and the premiums paid to LIC is charged to the Profit & Loss Account. In case of seasonal workers of Salt Division, provision for gratuity has been taken as per actuarial valuation.

Leave encashment benefit is charged to the Profit & Loss Account on the basis of an actuarial valuation.

#### Deferred Revenue Expenditure

In terms of the Accounting Standard 26 - Intangible Assets, the carrying amounts of Deferred Revenue Expenditure are amortized/ written off over the number of years in which the benefits are expected to accrue to the company (as per the accounting policy followed by the company).

However, expenditure incurred during the year, on such items which do not meet the definition of Intangible Assets as per the said standard are charged off to the Profit & Loss Account except VRS expenditure which is amortized as per the existing Accounting Policy.

#### Intangible Assets

Intangible Assets are stated at cost of acquisition less accumulated amortization/ Depreciation.

On amalgamation the excess of consideration over the value of net assets acquired is treated as goodwill arising on amalgamation and is written off over a period of 5 years.



**Borrowing Cost**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of cost of such assets. The capitalization rate is the weighted average of the borrowing cost applicable to the borrowings of the company that are outstanding during the period. All other borrowing costs are recognized as an expense in the period in which they are incurred.

**Leases**

Leases entered into before 1st April 2001 are treated as operating leases and lease rental paid are charged to profit and loss account. Leases entered into on or after 1st April, 2001 are accounted in accordance with AS - 19 Leases issued by Institute of Chartered Accountants of India.

**Taxation**

Income - tax expenses comprises current tax and deferred tax charge or credit. The deferred tax assets and liabilities are calculated by applying tax rates and tax laws that have been enacted at the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation ( due to amalgamation) under tax laws, are recognized, only if there is virtual certainty of its realization, supported by convincing evidence. Deferred tax assets on account of other timing difference are recognized only to the extent there is a reasonable certainty of its realization. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to re-assess realization.

**Provisions and Contingent Liabilities**

In accordance with Accounting Standard -29, Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company.

**B NOTES**

	<u>As at 31.03.2005 (Rs in lacs)</u>	<u>As at 31.03.2004 (Rs in lacs)</u>
2. (a) Estimated value of contracts remaining to be executed on Capital Account and not provided for.	<b>3674.12</b>	1212.80
(b) Contingent Liabilities :		
(i) Guarantees issued by banks	<b>457.70</b>	593.68
(ii) Letters of Credit	<b>1247.75</b>	1564.15
(iii) Bills discounted with banks (since realized)	<b>306.31</b>	949.33
(iv) Claims against the Company not acknowledged as debts		
- Income Tax & Wealth Tax	<b>53.95</b>	479.58
- Sales Tax	<b>1476.68</b>	213.10
- Excise matters	<b>58.53</b>	114.14
- Other claims	<b>507.71</b>	273.24
(v) Corporate guarantee & Standby Letters of Credit to Bank on behalf of subsidiaries of the company	<b>1063.77</b>	1146.26
(The contingent Liabilities in respect of bank guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material Liabilities will arise.)		
(c) Export Obligation on duty free imports	<b>50.28</b>	206.06
3. An amount of Rs 450 lacs paid as an advance towards purchase of salt fields at Vedaranyam (Tamil Nadu) and secured by Bank Guarantee for equivalent amount had been apportioned to respective assets during the previous year as per the valuation report in view of the interim injunctions issued by Hon,ble High Court, Madras, in favour of the Company and amortized / depreciated in the books of account. Applications for transfer of lease rights / extension of lease period has been filed with appropriate authorities but the permission is yet to be granted by the authorities.		
Since the Bank Guarantee was expiring on 31st March, the company has encashed the same on 28 March 2005 and the funds received on encashment have been kept in a separate Bank Fixed Deposit as mentioned in the exparte order issued by the sole arbitrator subject to further order on the application received from DCW Ltd.		
4. Provision for taxation includes Rs. 3.00 lacs (previous year Rs. 3.00 lacs) for wealth tax and current income tax Rs 888.80 lacs (previous year : Rs. 1616.97) and deferred tax of Rs. 1,218.96 lacs (previous year : reversal of Rs.497.94)		
5. i) Fixed Deposits include Rs. 3.39 lacs (Previous year Rs. 14.62 lacs) due within one year.		
ii) Interest Free Sales Tax Loan include Rs. 14.48 lacs (Previous Year Rs.14.48 lacs) due within one year.		
6. Sundry Debtors, Creditors and Loans and Advances are subject to confirmation and consequential adjustment, if any.		
7. Unquoted investments include equity in Colwell & Salmon Communications ( India ) Limited in subsidiary company which are of long term strategic value .In the opinion of the management, the current diminution in the value of this investment is temporary in nature considering the inherent value and nature of investee's business proposal and hence no provision is required.		
8. The company has acquired 1,666.6 fully paid up equity shares representing 83.33% of fully paid up equity share capital of Colwell & Salmon Communications, Inc, USA (C&S) for a consideration of US \$ 2.50 million (Rs 1189.13 lac) upto the Balance Sheet date vide Stock Purchase Agreement dated October 31, 2002. The company has, subsequently entered into a Memorandum		



of Understanding dated November 1, 2004 with Mr Wayne P Colwell, the owner of the remaining 333.4 fully paid up equity shares representing 16.67% of fully paid up equity share capital of C&S, to acquire his entire shareholding of 16.67% in C&S.

9. In accordance with the requirement of AS-19 on Operating Leases, outstanding receivable on operating lease rentals beyond one year Rs 70.37 Lacs (Previous year -Nil)
10. Borrowing costs capitalized during the year Rs.55.36 Lacs (Previous year Rs.3.05 lacs)
11. The value of Finished Goods includes excise duty not paid Rs.26.33 lacs (previous year Rs.112.12 lacs). This has however, no impact on the profit for the year. The value of Lignite at mines includes royalty of Rs 8.37 Lacs on the closing stock.
12. Loans & Advances includes Rs. 0.34 Lacs advance against accommodation paid to Director and relative of Director (previous Year - Rs.0.34 Lacs). Maximum outstanding balance during the year Rs.0.34 lacs (Previous Year -Rs0.34 lacs) and lease rent includes Rs. 1.27 lacs paid to the Director (Previous Year - Rs. 1.14 lacs) and 1.18 lacs paid to relative of the Director( Previous year -1.31 lacs).
13. **Related Party Transactions:**
  - a **Subsidiary :**  
Colwell & Salmon Communications (India) Limited  
Colwell & Salmon Communications Inc, USA
  - b **Key Management Personnel:**  
P Sampath, Joint Managing Director  
R S Jalan, Joint Managing Director  
Tej Melhotra, Executive Director - Operations  
N S Ramachandran, Executive Director - Marketing  
K K Ahuja, Executive Director - HR -till 30, June 2004
  - c **Relative of Key Management Personnel:**  
Vidyavati Malhotra, m/o Tej Malhotra

**Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March, 2005**

Type of Transactions	Subsidiary	Key Management Personnel	Rs. lacs Relative of Key Management Personnel
1 Purchase or Sale of Fixed Assets		0.79	
		-	
2 Leasing & Hire purchase transactions		1.27	1.18
		(1.14)	(1.31)
3 Finance:			
- Loans	402.84 (311.46)		
- Equity	78.13 (165.18)		
4 Services			
- Income	384.03 (417.40)		
- Expenses	171.00 (168.30)		
Others/ Interest Charged	28.56 (4.20)		
5 Guarantees & Collaterals	- (1,049.40)		
6 Remuneration		221.77 (181.60)	
7 Balances as on 31st March, 2005			
- Investments	1,317.37 (1,239.24)		
- Loans & Advances	716.09 (313.25)		
- Advances for Rental Accommodation		0.18 (0.18)	0.16 (0.16)
- Debtors	123.36 (71.90)		
- Creditors	11.47 (22.27)		

Figures in brackets relate to year ended 31st March 2004.



	As at 31.03.2004	Current Year Charge/(Credit)	As at 31.03.2005
14. Deferred Tax			
a) Deferred tax liability on account of:			
i) Depreciation	6,763.82	728.54	7,492.36
ii) Others			
Deferred Revenue Expenditure	302.95	300.31	603.26
	<b>7,066.77</b>	<b>1,028.85</b>	<b>8,095.62</b>
b) Deferred tax assets on account of:			
i) Employee Benefit	4.38	35.44	39.82
ii) State & Central Taxes & Cess	58.64	(1.54)	57.10
	<b>63.02</b>	<b>33.90</b>	<b>96.92</b>
<b>TOTAL</b>	<b>7,003.75</b>	<b>994.95</b>	<b>7,998.70</b>

Current year charge/(credit) includes Rs. 224.01 Lacs on account of prior year adjustment

15. a) Raw material and Power & Fuel costs include expenditure on captive production of salt, limestone and Lignite as under:

	<b>2004-2005</b> <b>(Rs. in lacs)</b>	2003-2004 (Rs. in lacs)
Manufacturing Expenses	<b>1004.79</b>	1214.06
Stores and spares consumed	<b>22.82</b>	16.74
Power and fuel	<b>210.63</b>	192.23
Cess and Royalty	<b>320.16</b>	323.71
Repairs and maintenance		
Building	<b>3.29</b>	26.12
Plant and machinery	<b>17.74</b>	42.59
Earth work	<b>132.54</b>	92.12
Others	<b>21.70</b>	11.11
Salaries and Wages	<b>504.03</b>	560.08
Travelling & Conveyance	<b>21.86</b>	16.23
Lease Rent	<b>66.54</b>	60.06
Rates and taxes	<b>2.47</b>	1.92
Insurance	<b>9.88</b>	6.99
Interest - Fixed Loan	<b>65.76</b>	26.34
Misc. Expenses ( Including Deferred Revenue & Intangible Expenses)	<b>259.35</b>	182.84
Less: Interest on Investments (other than trade)	<b>(0.64)</b>	(0.57)
Other Misc. Income	<b>(55.50)</b>	(152.36)
Cost of Goods sold	<b>(32.26)</b>	(116.71)
<b>TOTAL</b>	<b>2,575.16</b>	<b>2,503.50</b>

16. Payment to Auditors'

	<b>2004-2005</b> <b>(Rs. in lacs)</b>	2003-2004 (Rs. in lacs)
(a) To Statutory Auditors :		
Audit fee	<b>7.00</b>	7.56
Tax Audit Fee	<b>0.70</b>	0.65
Certification and Review Report	<b>3.69</b>	3.78
Taxation matters	<b>3.62</b>	2.00
Out of pocket expenses	<b>0.64</b>	0.48
(b) To Cost Auditors :		
Audit Fee	<b>0.75</b>	0.87
Out of pocket expenses	<b>0.05</b>	0.12
(Current year excluding Service Tax)		


**17. Managerial Remuneration**

	<b>2004-2005</b> <b>(Rs. in lacs)</b>	<b>2003-2004</b> <b>(Rs. in lacs)</b>
(a) Wholetime Directors		
Salaries	<b>72.41</b>	74.32
Contribution to Provident and Superannuation funds	<b>13.35</b>	13.51
Perquisites	<b>19.63</b>	18.86
Gratuity	<b>2.38</b>	2.41
Commission	<b>114.00</b>	72.50
(b) Other Directors		
Sitting Fees	<b>3.75</b>	3.40
Commission	<b>54.73</b>	38.21
	<b>280.25</b>	223.21
(c) Computation of Net Profit as per Section 349 / 350 of the Companies Act, 1956		
Profit for the year (as per Profit & Loss Account)	<b>4039.94</b>	3009.28
Add :		
Provision for Taxation	<b>2110.76</b>	1122.03
Managerial Remuneration	<b>280.25</b>	223.21
Provision for Doubtful Debts	-	26.05
Loss on Sale of Investment	-	400.44
Deferred Revenue Expenses charged to Profit and Loss Account	<b>418.34</b>	446.37
	<b>6849.29</b>	5227.38
Less :		
Profit on Sale of Investment	<b>46.25</b>	-
Profit on Sale of Assets (Net)	<b>543.06</b>	243.63
Deferred Revenue Expenses incurred during the year	<b>154.39</b>	810.08
Provision for Doubtful Debts written back	<b>3.81</b>	-
Net Profit u/s 349 of the Companies Act, 1956	<b>6101.78</b>	4173.67
Commission payable to :-		
- Jt Managing Directors and Whole Time Directors as decided by the Board	<b>114.00</b>	72.50
- Non-Wholetime Directors as decided by the Board prorata for the period of service.	<b>54.73</b>	38.21
18. Expenditure in Foreign Currencies:		
Foreign Travel	<b>32.48</b>	91.63
Commission on Export Sales	<b>143.86</b>	284.37
Interest and Commitment Charges	<b>146.81</b>	
Others	<b>238.73</b>	218.39
19. Remittances during the year in foreign currency on account of Dividends to non-resident shareholders	<b>64.31</b>	99.94
Dividend for the financial year ended :	<b>2003-04</b>	2002-03
Number of Non-resident Shareholders :	<b>959</b>	1019
Number of Shares	<b>4,287,608</b>	4,345,408
20. Earnings in foreign exchange		
(a) Export of Finished Goods on F.O.B basis	<b>7377.52</b>	7381.90
(b) Recovery towards Freight etc. on Exports	<b>1525.83</b>	1207.43
(c) Export Income from services	<b>146.73</b>	473.13
(d) Others	<b>39.79</b>	29.39
21. Value of imports on CIF Basis:		
Raw Materials and Utilities	<b>3422.44</b>	3398.54
Components and spare parts	<b>139.26</b>	132.31
Capital Goods	<b>327.06</b>	768.29
Trading Goods	<b>258.21</b>	391.84



22. Quantitative information in respect of Company's operations:  
 (a) Capacity (as certified by the Management)

	UNIT	2004-05		2003-04	
		Installed	Licensed	Installed	Licensed
Soda Ash	MT.	60000	N.A.	525000	N.A.
Refined Salt	MT.	20000	N.A.	20000	N.A.
Yarn - Spindles	no.	64268	N.A.	61032	N.A.
Rotors	no.	384	N.A.	384	N.A.
Detergent	MT.	24000	N.A.	N.A.	N.A.
Wind Turbine Generators	MW Per Hour	8.40	N.A.	N.A.	N.A.
		2004-05		2003-04	
		Qty.	Rs in lacs	Qty.	Rs in lacs
(b) Opening Stock					
Soda Ash	MT.	13,938	715.79	7,463	336.62
Refined Salt	MT.	6,207	46.67	3,095	46.18
Cotton Yarn	MT.	372	294.51	314	475.77
PC Yarn	MT.	260	337.22	60	71.96
Cloth - Job Work	MTRS.(000)	94	63.55	-	-
Others			19.30		18.77
			<b>1477.04</b>		<b>949.30</b>
(c) Production					
Soda Ash	MT.	516,686		503,726	
Refined Salt	MT.	91,682		99,721	
Cotton Yarn	MT.	4,397		3,669	
PC Yarn	MT.	846		1,023	
Cloth - Job Work	MTRS.(000)	2,389		257	
Detergent	MT.	2,130		-	
(d) Purchase of Trading Goods			1,086.54		1,786.47
(e) Consumption for internal use.					
Soda Ash*	MT.	15,372		15,675	
(f) Consumption for internal use.					
Cotton Yarn		1,001			
PC Yarn		3			
(g) Sales					
Soda Ash	MT.	512,643	46068.34	481,576	39673.30
Refined Salt	MT.	95,555	1668.40	96,609	1548.60
Cotton Yarn	MT.	3,619	6073.47	3,611	7286.88
PC Yarn	MT.	738	1111.32	822	1147.51
Cloth - Job Work	MTRS.(000)	2,319	2221.71	163	158.01
Others			1811.79		1888.99
			<b>58955.03</b>		<b>51703.29</b>
(h) Closing Stock					
Soda Ash	MT.	2,609	120.97	13,938	715.79
Refined Salt	MT.	2,334	32.98	6,207	46.67
Cotton Yarn	MT.	148	185.60	372	294.51
PC Yarn	MT.	365	430.54	260	337.22
Cloth - Job Work	MTRS.(000)	164	160.51	94	63.55
Others			82.73		19.30
			<b>1,013.33</b>		<b>1,477.04</b>
* Including transit differences.					
(i) Consumption of Raw Materials and Consumables					
Salt		1025315	4181.25	1019449	3493.42
Lime Stone		951992	1812.35	949430	1796.56
Coke		77690	4978.27	52632	3927.21
Cotton & Staple Fibre		6352	5227.77	6816	4298.27
Other Chemicals			879.58		445.30
			<b>17079.22</b>		<b>13960.76</b>

\*\* The Consumption of Lime Stone is net of undersize realization Rs 110.71 Lacs and Cotton and Staple Fiber is net of quantity sold 1 MT (131 MT) valued Rs. 0.39 Lacs (Rs. 118.71 Lacs).



(j) Consumption of Raw Materials, Stores and Spares	2004-05		2003-04	
	Value of Consumption	% AGE	Value of Consumption	% AGE
Raw Materials:				
Imported	345.53	2.02%	383.29	2.75%
Indigenous	16733.69	97.98%	13577.47	97.25%
	<u>17,079.22</u>	<u>100%</u>	<u>13,960.76</u>	<u>100%</u>
Stores and Spares				
Imported	72.68	5.63%	90.32	6.89%
Indigenous	1,217.70	94.37%	1,219.98	93.11%
	<u>1,290.38</u>	<u>100%</u>	<u>1,310.30</u>	<u>100%</u>

**23. Deferred Revenue Expenditure:**

Deferred Revenue Expenditure comprises of carrying amount as on 01.04.2003 as per the Transitional Provisions of AS26 on Intangible Assets issued by Institute of Chartered Accountants of India.

**a Voluntary Retirement Scheme expenses**

Compensation under the company's voluntary retirement scheme paid/provided is being written off equally over a period of three years.

**b Salt Pans**

Expenditure on the development of salt pans is being written off over a period of five years.

**c Software**

Expenditure on purchased software and IT related expenses is being written off over a period of three years.

**d Infrastructure and others**

Expenditure on development of external infrastructure and others is being written off over a period of five years.

**e Prepayment Premium**

Premium paid on prepayment of Term Loans / Non -convertible Debenture is charged off over the tenure of the loan proportion to the principle amount outstanding.

**24. Intangible Assets**

Intangible Asset comprises of expenditure incurred during the year on the items meeting the definition as per the provisions of AS 26 issued by Institute of Chartered Accountants of India..

**a Salt Pans**

Expenditure on the development of salt pans is being written off over a period of five years.

**b Software**

Expenditure on purchased software and IT related expenses is being written off over a period of three years.

**c Goodwill**

Goodwill is amortized over a period of five years.

**25. Impairment of Assets**

In pursuance of Accounting Standard 28- Impairment of assets (AS -28) issued by the institute of Chartered Accountants of India, the company has reviewed its carrying cost of assets with value in use (determined based on future earnings)/ net selling price (determined based on a valuation). Based on such review, management is of the view that in the current financial year impairment of assets is not considered necessary.

**26. Earnings per Share**

Earnings per Share has been computed as under:	2004-05	2003-04
a Profit after Taxation (Rs. in Lakhs)	4,039.94	3,009.28
(Less)/ Add : Prior Period Adjustments	14.52	(289.58)
	<u>4054.46</u>	<u>2719.70</u>
b Number of Equity shares outstanding	95,088,411	95,088,411
c Earnings per share (Face value of Rs 10/- per share)	4.26	2.86
(a) / (b) (Basic and diluted)		



27. Sundry Creditors includes Rs.97.07 lacs due to small scale industrial undertakings (Previous Year Rs. 9.98 Lacs) to the extent identified from the records of the company as outstanding for more than 30 days from the following parties.

- Anand paper products	2.26
- Gowtham Paper Products	5.55
- Nathan Industries	0.05
- Madura Polymers	1.32
- Sri siam straps	0.29
- Thirumalai cartons	2.25
- Hindustan Paper Products	0.47
- Balaji Packagings	1.33
- GB Raja textiles	78.57
- Anjeela Tex P Ltd	4.98

28. Previous year's figures have been regrouped and reclassified wherever necessary.

As per our report attached  
For and on behalf of  
Jayantilal Thakkar & Co.  
Chartered Accountants

For and on behalf of  
Rahul Gautam Divan & Associates  
Chartered Accountants

Sanjay Dalmia  
Chairman

P. Sampath  
Joint Managing Director

(C. V. Thakker)  
Partner

(Rahul Divan)  
Partner

Dr B.C.Jain  
Director

R. S. Jalan  
Joint Managing Director

H.H.Faruqi  
Director

J. P. Mehrotra  
Sr. General Manager (Finance) &  
Company Secretary

Place : Camp Delhi  
Date : 23<sup>rd</sup> June, 2005

Place : New Delhi  
Date : 23<sup>rd</sup> June, 2005



**ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**

**Balance Sheet Abstract and Company's General Business Profile:**

I.	Registration No.	: 6513	State Code	: 04	Balance Sheet Date	: 31st March, 2005	
II.	Capital raised during the year (Amount in Rs. Thousands)						
	Public Issue	:	NIL	Right Issue	:		NIL
	Bonus Issue	:	NIL	Private Placement	:		NIL
III.	Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)						
	Total Liabilities		<b>5301756</b>	Total Assets			<b>5301756</b>
	<b>Sources of Funds</b>			<b>Application of Funds</b>			
	Paid-up Capital		<b>950884</b>	Net Fixed Assets			<b>3835859</b>
	Reserves and Surplus		<b>1538120</b>	Investments			<b>236831</b>
	Secured Loans		<b>2008196</b>	Net Current Assets			<b>1138095</b>
	Unsecured Loans		<b>4686</b>	Misc. Expenditure			<b>90971</b>
	Deferred Tax Liability		<b>799870</b>				
IV.	Performance of Company (Amount in Rs. Thousands)						
	Turnover		<b>5333274</b>	Total Expenditure			<b>4718204</b>
	Profit/Loss Before Tax		<b>615070</b>	Profit After Tax			<b>403994</b>
	Earning per Share in Rs.		<b>4.26</b>	Dividend Rate			%
				Equity Share :			
				- Final			20%
V.	Generic Names of Three Principal Product / Services of Company (as per monetary terms)						
	Item Code No. (ITC Code)	:	<b>2836.20</b>				
	Product Description	:	<b>Disodium Carbonate (Soda Ash)</b>				
	Item Code No. (ITC Code)	:	<b>5205.11,5205.19,5206.11,5206.12,5509.21,5509.22,5509.50</b>				
	Product Description	:	<b>Textiles falling within the above code numbers</b>				

**Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Company's Interest in Subsidiary Company**

S.No.	Name of Subsidiary Company	Colwell & Salmon Communications Inc	Colwell & Salmon Communications (India) Ltd.
1.00	The financial period of the Subsidiary Company ended on	31st March, 2005	31st March, 2005
2.00	Date from which they become subsidiary Companies	12th December, 2002	24th January, 2003
3.00	Number of shares held by GHCL Ltd. with its nominees in the subsidiaries at the end of the financial year of the subsidiary Company.	1,666.66	750,000.00
3.20	Extent of interest of holding Company at the end of the financial year of the subsidiary Company.	83.33%	100%
4.00	The net aggregate amount of the subsidiary Company Profit/(Loss) so far as concerns the members of the holding company.		
4.10	Not dealt with in the holding Company accounts.		
4.10.10	For the financial years ended 31st March, 2005	(USD 132021.38)	(Rs. 745.25 Lacs)
4.10.20	For the previous financial years of the subsidiary Company since it became the holding Company's subsidiary.	(USD 398446.56)	(Rs. 1219.25 Lacs)
4.20	Dealt with in holding company's account		
4.20.10	For the financial year ended 31st March, 2005	Nil	Nil
4.20.20	For the previous financial years of the subsidiary Company since it became the holding Company's subsidiary.	Nil	Nil

For and on behalf of the Board

Sanjay Dalmia  
Chairman

P. Sampath  
Joint Managing Director

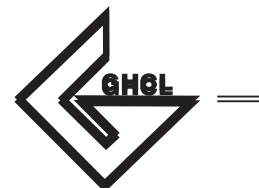
Dr. B.C. Jain  
Director

R. S. Jalan  
Joint Managing Director

H.H. Faruqi  
Director

J. P. Mehrotra  
Sr. General Manager (Finance) &  
Company Secretary

Place : New Delhi  
Date : 23<sup>rd</sup> June, 2005



**Colwell & Salmon Communications, Inc.**

**Directors' Report for the year ended March 31, 2005**

We are pleased to report our performance for the year ended March 31, 2005.

In the third year of our operations after the acquisition, we turned around from an operating loss of \$ 0.85 Mil in 03-04 to an operating profit of \$0.07 Mil in 04-05. The recovery in the global economy and all round effort helped us record revenues of US\$ 8.3 Mil, although our revenue growth was a mere 6% over previous year. However the Company's focus to turn to profitable ways by means of improved gross margins and overhead reduction resulted in the critical turn around, operationally. The Company undertook significant cost saving measures as we restructured our operating teams in the different segments to obtain optimum performance.

The Company continues to focus on its core B2B business while endeavouring to build its data collection practice in market research in India winning pilot projects from Maritz and ICR both large market research firms in the USA. It also successfully conducted a prestigious project for Siemens in this segment, which is expected to provide us with larger opportunities.

In appreciation of our continuing efforts to provide utmost customer satisfaction through quality service delivery, we were awarded 2004 MVP Gold Award - an award that we have won for the 5<sup>th</sup> consecutive year.

Our comments on each of our business segments are as follows:

The B2B segment grew by 6% from \$ 4.7 MN. to \$ 5.0 MN. This was despite loss of two significant components of IBM business segment in the previous year. However our business development team worked tirelessly to recover a significant portion by winning significant business through the Channel Marketing Segment of IBM. We continue to be listed as one of the five most preferred vendors for IBM in the tele-services segment in North America. We continue to get business from new clients like Vertex, Vertis and Avnet, in the tech sector and Crain Communications and VNU in the publishing and media segments. We have expanded our offerings with Best and its business partners. The Company is viewed as a valued partner in its marketing efforts.

The Market Research segment revenues of \$ 0.73 MN. were 62% higher than the previous year. This was achieved due to prestigious projects won from Siemens, Association of Independent Colleges, The State of New York, and Niagara Mohawk etc. However the large volumes on data collection continue to elude us despite our receiving data collection and back office work from Maritz and ICR.

The B2C segment recorded revenues of \$ 2.6 MN, which was almost the same as previous year. NAMG continues as our largest customer in this segment. Despite our best efforts we have not been accorded adequate opportunities to prove our outsourcing capabilities in India. However we are confident that we will be able to generate larger business volumes in the future through our integrated approach.

In August 2004, the undersigned was inducted as Director of the Company and took over the functions from Wayne Colwell, who relinquished his overall charge to focus on Business Development. The Company changed its tack midway in 2004-05 to focus on existing business and turn to profitable ways. Decisive changes made in operations team resulted in gross margins returning to 42% from 37% in the previous year. Cost reduction measures undertaken since August 2004, resulted in the release of 11 administrative positions including 2 senior positions, bringing about annualized savings of \$0.5 MN. All the above efforts allowed the Company to earn a modest operating profit of \$0.07 MN against a loss of \$0.6 MN in the previous year.

The Company stays focused in its strategy to acquire new customers by offering high quality service. Colwell & Salmon continues to strive for customer delight and employee satisfaction in the process of enhancing shareholders' value. The Company is confident of turning around completely in the coming year.

We would like to thank all our customers, employees and our management team for continued support help and commitment.

**Mr. Sanjay Purohit**  
Director and CEO

Date: April 28, 2005

**INDEPENDENT AUDITORS' REPORT**

To, The Board of Directors  
Colwell & Salmon Communications, Inc.  
Albany, New York

We have audited the accompanying balance sheets of Colwell & Salmon Communications, Inc. as of March 31, 2005 and 2004, and the related statements of income and retained earnings, and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colwell & Salmon Communications, Inc. as of March 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in the accompanying Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Albany, New York  
Dated : April 28, 2005

**Teal Becker & Chiaromonte CPAs, P.C.**

**Balance Sheets as at 31st March**

	US Dollars	
	2005	2004
<b>Assets</b>		
<b>Current assets:</b>		
Cash	271,846	110,145
Accounts receivable, net (Note 2)	1,240,273	1,225,214
Prepaid expenses	96,918	83,082
<b>Total current assets</b>	<b>1,609,037</b>	<b>1,418,441</b>
<b>Property and equipment, net (Note 3)</b>	<b>650,320</b>	<b>684,035</b>
<b>Deferred income taxes (Note 6)</b>	<b>148,367</b>	<b>86,488</b>
<b>Total Assets</b>	<b>2,407,724</b>	<b>2,188,964</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Short-term borrowings (Note 4)	908,373	397,268
Current portion of long-term debt (Note 5)	66,196	60,077
Current portion of capital lease obligations (Note 8)	30,828	39,487
Accounts payable and accrued expenses (Note 7)	1,037,526	997,451
Deferred revenue	88,913	176,079
<b>Total current liabilities</b>	<b>2,131,836</b>	<b>1,670,362</b>
<b>Long-term debt (Note 5)</b>	<b>150,825</b>	<b>224,279</b>
<b>Capital leases payable (Note 8)</b>	<b>75,536</b>	<b>106,364</b>
<b>Due to stockholder (Note 7)</b>	<b>525,682</b>	<b>505,682</b>
<b>Total liabilities</b>	<b>2,883,879</b>	<b>2,506,687</b>
<b>Stockholders' equity (deficit)</b>		
Common stock - \$1 par value, 2,000 shares authorized issued and outstanding	2,000	2,000
Retained earnings (deficit)	(478,155)	(319,723)
<b>Total stockholders' equity (deficit)</b>	<b>(476,155)</b>	<b>(317,723)</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>2,407,724</b>	<b>2,188,964</b>

The accompanying notes are an integral part of these financial statements



**Statement of Income and Retained Earnings For the Year Ended March 31**

	US Dollars			
	2005	%	2004	%
<b>Sales</b>	<b>8,338,128</b>	<b>100.0</b>	<b>7,807,754</b>	<b>100.0</b>
<b>Cost of sales</b>	<b>4,882,261</b>	<b>58.6</b>	<b>4,809,382</b>	<b>61.6</b>
<b>Gross profit</b>	<b>3,455,867</b>	<b>41.4</b>	<b>2,998,372</b>	<b>38.4</b>
<b>Operating expenses:</b>				
Administrative	3,666,653	44.0	3,779,796	48.4
Interest	88,825	1.1	61,452	0.8
<b>Total operating expenses</b>	<b>3,755,478</b>	<b>45.1</b>	<b>3,841,248</b>	<b>49.2</b>
<b>Other Income</b>	<b>80,228</b>	<b>1.0</b>	<b>-</b>	<b>-</b>
<b>Loss before provision for income taxes</b>	<b>(219,383)</b>	<b>(2.7)</b>	<b>(842,876)</b>	<b>(10.8)</b>
<b>Provision for income taxes (Note 6)</b>	<b>(60,951)</b>	<b>(0.7)</b>	<b>(189,989)</b>	<b>(2.4)</b>
<b>Net loss</b>	<b>(158,432)</b>	<b>(2.0)</b>	<b>(652,887)</b>	<b>(8.4)</b>
<b>Retained Earnings (Deficit) - Beginning</b>	<b>(319,723)</b>		<b>333,164</b>	
<b>Retained Earnings (Deficit) - Ending</b>	<b>(478,155)</b>		<b>(319,723)</b>	

The accompanying notes are an integral part of these financial statements

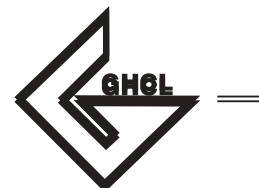


**Colwell & Salmon Communications, Inc.**

**Statement of Cash Flows For the Year Ended March 31**

	US Dollars	
	2005	2004
<b>Operating activities:</b>		
Net loss	(158,432)	(652,887)
Adjustments to reconcile net loss to net cash flows from (for) operating activities:		
Depreciation	194,634	184,300
Loss on disposal of asset	-	3,952
Deferred income tax benefit	(61,879)	(190,100)
Provision for losses on accounts receivable	11,000	-
Changes in operating assets and liabilities:		
Accounts and other receivables	(26,059)	(386,192)
Prepaid expenses	(13,836)	(60,076)
Accounts payable and accrued expenses	40,075	485,833
Deferred revenue	(87,166)	34,137
Net cash flows for operating activities	<u>(101,663)</u>	<u>(581,033)</u>
<b>Investing activities:</b>		
Property and equipment expenditures	(160,919)	(73,251)
Net cash flow for investing activities	<u>(160,919)</u>	<u>(73,251)</u>
<b>Financing activities:</b>		
Net proceeds from short-term borrowings	511,105	111,028
Proceeds from issuance of long-term debt	-	85,000
Principal repayments on long-term debt and capital leases	(106,822)	(89,297)
Net proceeds from stockholders	20,000	255,320
Net cash flows from financing activities	<u>424,283</u>	<u>362,051</u>
<b>Net increase (decrease) in cash</b>	<b>161,701</b>	<b>(292,233)</b>
<b>Cash-Beginning</b>	<b>110,145</b>	<b>402,378</b>
<b>Cash - Ending</b>	<b><u>271,846</u></b>	<b><u>110,145</u></b>
<b>Supplemental disclosures of cash flows information:</b>		
Interest Paid	<u>89,162</u>	<u>60,036</u>
<b>Supplemental schedules of non cash investing and financing activities:</b>		
Purchase of property and equipment	160,919	217,601
Less: Capital lease obligations incurred	-	144,350
<b>Property and equipment Expenditures</b>	<b><u>160,919</u></b>	<b><u>73,251</u></b>

The accompanying notes are an integral part of these financial statements



**Colwell & Salmon Communications, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 1 : Summary Of Significant Accounting Policies**

**Background information** - Colwell & Salmon Communications, Inc. is a New York State corporation formed in 1989 for the purpose of providing telemarketing and market research services. The customer base consists primarily of businesses operating throughout the United States and overseas. The Company operates from offices located in Albany and Glens Falls, New York and provides credit under standard terms to its customers.

**Income taxes** - Income tax expense includes federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. These differences result principally from the excess of depreciation for tax purposes over the amount for financial reporting purposes.

**Depreciation** - The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method.

**Allowance for doubtful accounts** - The allowance for doubtful accounts is principally provided in amounts considered to be appropriate, based primarily upon the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Note 2 : Accounting Receivable**

	<u>2005</u>	<u>2004</u>
Accounts receivable at March 31 consists of:		
Accounts receivable - trade (see Note 12)	\$ 1,095,231	\$ 916,296
Accounts receivable - related party (see Note 7)	171,042	323,918
	1,266,273	1,240,214
Less: allowance for doubtful accounts	26,000	15,000
Total	<u>\$ 1,240,273</u>	<u>\$ 1,225,214</u>

Bad debt expense charged to operations for the years ended March 31, 2005 and 2004 was \$ 14,447 and \$-0- respectively.

**Note 3 : Property And Equipment**

Property and equipment, stated on the balance sheets at cost less accumulated depreciation, at March 31 consist of:

Item	<u>2005</u>		<u>2004</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Office equipment	\$ 904,678	\$ 617,510	\$ 842,138	\$ 495,544
Telephone equipment	818,277	573,893	751,040	503,189
Idle equipment	151,725	75,863	151,725	75,863
Leasehold improvements	50,187	7,281	19,047	5,319
	1,924,867	<u>\$ 1,274,547</u>	1,763,950	<u>\$ 1,079,915</u>
Less: accumulated depreciation	<u>1,274,547</u>		<u>1,079,915</u>	
Total	<u>\$ 650,320</u>		<u>\$ 684,035</u>	

Depreciation expense charged to operations for the years ended March 31, 2005 and 2004 was \$ 194,634 and \$ 184,300 respectively.

Equipment with a book value of \$75,862 at March 31, 2005 is temporarily not in use.

**Note 4 : Short-Term Borrowings**

The Company has two lines of credit with banks that total \$1,010,000. Borrowings against the lines are payable on demand and interest is due monthly at the bank's prime rate plus .5% (prime was 5.75% at March 31, 2005). The lines are secured by equipment, furnishings, accounts receivable, and a stand by letter of credit in the amount of \$900,000 by a stockholder of the Company. The Company has \$101,627 available at March 31, 2005.

The loan agreement relating to the line of credit and note payable to a bank contains covenants for debt to net worth and cash flow to debt service. The Company must have a debt to net worth ratio of not more than 3.0 to 1.0 and cash flow to debt service ratio not to go below 1.25. At March 31, 2005, the Company did not meet these covenants.

**Note 5 : Long-term Debt**

	<u>2005</u>	<u>2004</u>
Long-term debt at March 31, consists of:		
Notes payable to a bank, due at various dates through June 2008, in monthly installments ranging from \$1,653 to \$5,258 including interest at rates ranging from 6.00% to 6.25%, secured by all equipment, furnishings, and accounts receivable and guaranteed by the stockholders of the Company.	\$ 217,021	\$ 284,356
Less: current portion	66,196	60,077
<b>Long-Term Portion</b>	<u><b>\$ 150,825</b></u>	<u><b>\$ 224,279</b></u>
Maturities of long-term debt are as follows:		
2006	\$ 66,196	
2007	75,857	
2008	70,037	
2009	4,931	
Total	<u>\$ 217,021</u>	

**Note 6 : Income Taxes**

The components of income tax expense (benefit) from continuing operations at March 31, consist of:

	<u>2005</u>	<u>2004</u>
Current tax expense	\$928	\$ 112
Deferred tax (benefit)	(61,879)	(190,101)
Total Income Tax Benefit	<u>\$ (60,951)</u>	<u>\$ (189,989)</u>

Deferred tax (assets) and liabilities at March 31 consist of:

	<u>2005</u>		
	Current	Long Term	Total
Net operating losses, net of valuation allowance of \$263,749	\$ (29,618)	\$ (212,703)	\$ (242,321)
Depreciation	-	68,317	68,317
Section 481 adjustment	38,899	-	38,899
Timing differences	(9,281)	(3,981)	(13,262)
Total	<u>\$ -</u>	<u>\$ (148,367)</u>	<u>\$ (148,367)</u>

	<u>2004</u>		
	Current	Long Term	Total
Net operating losses, net of valuation allowance of \$229,024	\$ (38,899)	\$ (176,110)	\$ (215,009)
Depreciation	-	50,723	50,723
Section 481 adjustment	38,899	38,899	77,798
Total	<u>\$ -</u>	<u>\$ (86,488)</u>	<u>\$ (86,488)</u>

For federal income tax purposes, the Company has available a net operating loss carryforward of \$1,052,798 expiring in various years through 2025. For New York State income tax purposes, the Company has available a net operating loss carryforward of \$949,823 expiring in various years through 2025.

**Note 7 : Related Party Transactions**

At March 31, 2005 and 2004, the Company was involved in various transactions with stockholder of the Company. Transactions and balances with the related party at March 31 consist of:

<b>Due to and (from) related Party</b>	<u>2005</u>	<u>2004</u>
Due To Stockholder - Represents a loan earning interest at 4%, which is due on or after May 2006.	\$ 525,682	\$ 505,682
Accounts Receivable from Related Party (Included in Accounts Receivable on the Balance Sheet)	\$ 171,042	\$ 323,918
Accounts Payable to Related Party (Included in Accounts Payable on the Balance Sheets)	\$ 557,238	\$ 529,397

**Income and expenses**

Outside Telemarketing Expense - The Company subcontracts services from a stockholder to perform telemarketing and market research on their behalf	\$ 1,224,561	\$ 1,429,340
Interest Expense to Stockholders	<u>\$ 20,000</u>	<u>\$ 5,682</u>



**Colwell & Salmon Communications, Inc.**

**Note 8 : Capital Leases**

The Company is the lessee of computer and telephone equipment under capital leases expiring in 2009. The assets held under the leases are as follows:

	2005	2004
Telephones	\$ 161,411	\$ 161,411
Computers	-	34,490
	161,411	195,901
Less: accumulated depreciation	44,195	36,083
<b>Net Book Value</b>	<b>\$ 117,216</b>	<b>\$ 159,818</b>

Future minimum lease payments, together with the present value of the net minimum lease payments as of March 31, 2005 are as follows:

2006	\$ 37,978
2007	37,978
2008	37,978
2009	6,330
Total minimum lease payments	120,264
Less: amount representing interest	13,900
<b>Net Present Value of Minimum Lease Payments</b>	<b>\$ 106,364</b>

The interest rates on the Capital lease obligations are 7.74% and are imputed base on the lower of the Company's incremental borrowing rates at the inception of each lease or the lessor's implicit rate of return.

**Note 9: Operating Leases**

The Company leases real estate and equipment under operating lease agreements that expire on various dates through 2009.

Total rental expense from operating leases for the years ended March 31, 2005 and 2004 was \$268,174 and \$258,652, respectively.

Minimum future rental payments under operating leases having initial terms in excess of one year as of March 31, 2005, for each of the next four years and in the aggregate are as follows:

2006	\$260,706
2007	257,381
2008	258,136
2009	223,666
Total	<u>\$ 999,889</u>

**Note 10 : Pension Plan**

The Company has adopted a 401(k) plan covering substantially all employees. The Plan requires the Company to contribute 20% of the employees' contribution up to a maximum of 6% of the employee's annual compensation. Employer contributions are fully vested after six years of service. Contributions to the Plan for the years ended March 31, 2005 and 2004 amounted to \$ 14,459 and \$13,142, respectively.

**Note 11 : Concentrations Of Credit Risk**

Financial instruments that potentially subject Colwell & Salmon Communications, Inc. to concentrations of credit risk consist principally of cash in financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$1 00,000.

**Note 12 : Economic Dependency**

The Company sells a substantial portion of its services to two customers. During the year ended March 31, 2005, sales to those customers aggregated \$4,764,960. At March 31, 2005, amounts due from those customers included in trade accounts receivable were \$409,452.

**SUPPLEMENTAL INFORMATION**

**Schedules Of Cost Of Sales  
For The Years Ended March 31**

**Schedule - I**

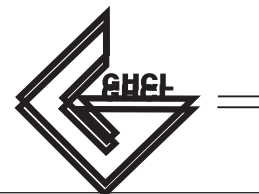
	2005	2004
<b>Cost of sales:</b>		
Outside telemarketing expense	\$ 2,029,165	\$ 1,912,815
Salaries	1,928,036	1,991,971
Marketing research	243,900	140,642
Telephone	196,258	268,189
Payroll taxes	170,479	188,426
List purchases	149,057	96,179
Insurance and employee benefits	104,271	145,761
Telephone look up	47,056	51,108
Direct overhead	14,021	14,291
<b>Total Cost of Sales</b>	<b>\$ 4,882,261</b>	<b>\$ 4,809,382</b>

**Schedule of Administrative Expenses  
For the Year Ended March 31**

**Schedule - II**

	2005	2004
<b>Administrative expenses:</b>		
Administrative wages	\$ 1,937,422	\$ 1,970,147
Officers' salaries	270,494	268,821
Rent	268,174	258,652
Payroll taxes	206,889	199,810
Insurance and employee benefits	195,039	167,041
Depreciation	194,634	184,300
Office	143,078	141,811
Travel and meals	96,573	159,023
Seminars and training	81,520	9,726
Accounting and legal	54,327	55,258
Temporary help	51,643	159,950
Repairs and maintenance	43,291	8,842
Telephone	25,226	71,632
Payroll preparation	19,154	22,048
Trade shows and conferences	17,035	9,170
Pension expense and administration fees	16,222	14,706
Recruiting	15,455	29,211
Bad debts	14,447	-
Printing and copies	9,158	21,987
Advertising and marketing	4,815	9,046
Employee benefits	2,057	13,575
Miscellaneous	-	5,040
<b>Total Administrative Expenses</b>	<b>\$ 3,666,653</b>	<b>\$ 3,779,796</b>





**Colwell and Salmon Communications (India) Limited**

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting to you the 3rd Annual Report of the Company together with Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2005.

**FINANCIAL RESULTS**

The summary of the financial performance for the year ended 31<sup>st</sup> March 2005 as compared to previous period is as under. However, the figures are not comparable as the previous period figures are only for nine months:

	2004-05	2003-04
Income from Services	986.47	662.84
Profit / (Loss) before interest	(702.29)	(465.39)
Interest	35.83	8.61
Net Profit / (Loss)	(745.25)	(474.00)

**REVIEW OF OPERATIONS**

As per NASSCOM estimates, the Indian ITES/BPO industry grew by about 42% in 2004-05 to reach to US\$ 5.1 billion. This segment continues to provide major employment opportunity and created additional employment for around 94,500 personnel during the year. The progress and growth in this segment continues and expected to be good in the coming years. The US (with 66% market share) continued to be the main market for Indian ITES-BPO services, followed by Western Europe (primarily UK) which accounted for 20% of total export revenue.

Customer care and support services (with 33% revenue contribution), followed by Finance (23%), Administration (15%) and Content Development (15%) were main drivers for revenue growth. Customer analytics and CRM, legal transcription support, Knowledge Process Outsourcing and Financial Process Outsourcing emerged as new, high potential service lines for ITES companies. Indian ITES industry is shifting from low-end business processes to higher value knowledge based processes which are having positive impact on the overall industry growth. Also Indian vendors are expanding their service portfolio which is enabling customers to deepen their offshore engagements. Employee cost are increasing by 10-15% per annum, however decline in telecom cost, productivity improvements and economies of scale enable Indian units to sustain the cost advantage. Attrition of manpower is a big challenge today for Indian ITES industry. The companies are coming out with innovative ideas to keep the attrition minimum.

Due to rapid ramp up by the top third party players and MNC, the Indian ITES market is getting into consolidation phase. This is putting pressure on small players like us. However, our positioning as niche player in B2B lead generation and market research is enabling us to thwart these pressures. The company has already established its foothold in UK market and trying to capitalize on the same during the current year.

During the year the company has concentrated more in to operational stabilization. The focus is on further strengthening the brand and the service capabilities of the company.

**MARKETING**

The majority of the business in India in ITES sector flows from the US. Your company is also not an exception to this. The main focus of your company was to penetrate the US market in the best possible way and to extract more business from there. C&S USA was the major contributor in this effort. During the year the company also tried to put extra efforts to establish itself in the UK market and succeeded in their plan. The company is also making efforts in the new line of activities like Customer Help Desk and Back Office Processes. The company has successfully conducted the pilots and expects a major growth in these particular areas in the coming years. The company is also exploring the possibilities of getting into healthcare segment which has maximum potential for Back Office operations.

**FINANCE**

The finances of the company are managed through the PCFC borrowings and unsecured loan from GHCL Ltd, its parent Company. During the year company has got its limits renewed from the lender.

**CORPORATE GOVERNANCE**

Your Company is a wholly owned subsidiary of GHCL Limited, which is a listed Company. Though the clause 49 of the Listing Agreement is not directly applicable to your Company yet for good corporate practices it has been decided to comply with the policies of Corporate Governance in phases.

**DIRECTORS**

Mr. S.K.Mukerjee and Mr. Wayne P Colwell resigned from the directorship of the company. The Directors place on record their appreciation for the services rendered by them.

Mr. P Sampath, the director of the company retires by rotation and, being eligible, offers himself for re-appointment. The Board recommends his appointment at the ensuing Annual General Meeting.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO**

Information pursuant to Section 217 (1) (e) of The Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure – I to the Report.

**PARTICULARS OF EMPLOYEES**

The particulars of employees as required under section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees), Rules 1975 are set out in Annexure –II to the Director's report.

**AUDITORS**

Rahul Gautam Divan & Associates, the auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting. The company has received a certificate from the auditors to the effect that their re-appointment, if made, would be in accordance with Section 224 (1B) of the Companies Act, 1956. The Board recommends their re – appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956, that:

- In preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2005, the applicable accounting standards have been followed.
- appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so far as to give true and fair view of the state of affairs as at 31<sup>st</sup> March, 2005 and company the loss of the Company for the financial year ended 31<sup>st</sup> March, 2005.
- the proper and sufficient care has been taken 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. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations. These systems are reviewed and updated on an ongoing basis.
- the annual accounts for the year ended 31<sup>st</sup> March, 2005 have been prepared on a going concern basis.

**ACKNOWLEDGEMENT**

The directors express their gratitude to GHCL Limited, Financial Institution, Banks, and various other agencies for the co-operation extended to the Company.

The directors take the opportunity to thank the shareholders, customers and suppliers for the confidence reposed by them in the Company.

By order of the Board of  
Colwell and Salmon Communications (India) Ltd.

Place : New Delhi  
Date : 11<sup>th</sup> May, 2005

Sanjay Dalmia  
CHAIRMAN

**ANNEXURE I TO THE DIRECTORS' REPORT**

- CONSERVATION OF ENERGY : Not Applicable
- TECHNOLOGY ABSORPTION : Not Applicable
- FOREIGN EXCHANGE EARNING AND OUTGO

Particulars with regard to foreign exchange earnings and outgo appear in the relevant Schedules of the Balance Sheet

**ANNEXURE II TO THE DIRECTORS' REPORT**

Name/Age	Qualification	Experience/ Date of Employment	Designation	Remuneration	Last Employment / Designation
Mr. Sanjay Purohit	M.Tech from IIT Mumbai, MBA ( Gold Medalist) from IIM Ahmedabad	16 years/ 25 <sup>th</sup> June, 2004	Chief Executive Officer	Rs.6,022,620/-	Syntel/Head of BPO



**Colwell and Salmon Communications (India) Limited**

**AUDITORS' REPORT**

To the members of  
Colwell And Salmon Communications (India) Limited

1. We have audited the attached Balance Sheet of Colwell and Salmon Communications (India) Limited as at 31 March 2005 and also the Profit and Loss Account annexed thereto and the Cash Flow Statement for the year ended on that date. 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. As required by the Companies (Auditor's Report) Order, 2003 as amended, issued by the Central Government of India 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.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
  - a. 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;
  - b. In our opinion, proper books of accounts, as required by law have been kept by the Company so far as appears from our examination of such books;
  - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. 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;
  - e. On the basis of the written representations received from the Directors as at 31 March 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f. 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:
    - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2005;
    - ii. in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of  
**Rahul Gautam Divan & Associates**  
Chartered Accountants

Place: Mumbai  
Date: 11 May 2005

**Rahul Divan**  
Partner  
Membership No: 100733

**ANNEXURE TO THE AUDITORS' REPORT**

Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of Colwell and Salmon Communications (India) Limited on the accounts for the year ended 31 March 2005.

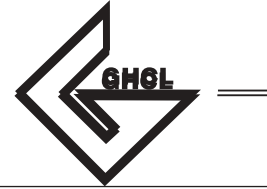
- (i) (a) In our opinion, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the fixed assets have been physically verified by the management according to a programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
- (c) In our opinion and according to explanations given to us, no fixed assets were disposed off during the year.
- (ii) The Company has no inventory as at the Balance Sheet date.
- (iii) According to the information and explanations given to us, the Company has neither taken nor granted any loan, secured or unsecured, to/ or from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4 (iii) (b), (c), (d), (f) and (g) of the Order are not applicable.

- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to purchase of fixed assets and for the sale of services. During the course of our audit, no major weaknesses have been noticed in the internal control systems.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of transactions that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- (b) According to the information and explanations given to us, transactions made in pursuance of such contracts or arrangements entered in the register under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public during the year ended 31 March 2005. We are informed that no order has been passed by the National Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) The Company does not have a paid up capital and reserves of Rs. 50 lakhs or an average annual turnover of Rs. 5 crores for a period of three consecutive financial years. Accordingly, paragraph 4(vii) of the Order is not applicable.
- (viii) Maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 has not been prescribed by the Government.
- (ix) (a) According to the records of the Company and information and explanations given to us, the Company has been regularly depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employee State Insurance, Income tax, Wealth tax, Service tax, Customs Duty and any other statutory dues applicable to it. There are no undisputed statutory dues as referred to above as at 31 March 2005 outstanding for a period of more than six months from the date they become payable.
- (b) According to the records of the Company and information and explanations given to us, there are no dues of Provident Fund, Employee State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs Duty, Excise Duty or Cess, which, have not been deposited on account of disputes.
- (x) The Company was incorporated on 27 December 2002. Consequently it has been registered for a period of less than 5 years. Accordingly, paragraph 4(x) of the Order is not applicable.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks or financial institutions.
- (xii) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that since the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, it is not required to maintain records in respect thereof.
- (xiii) The Company is not a chit fund/nidhi/mutual benefit fund/society to which the provisions of special statute relating to chit fund are applicable. Accordingly paragraph 4(xiii) of the Order is not applicable.
- (xiv) According to the information and explanations given by management, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, paragraph 4(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given by management, the Company has not given any guarantee for loans taken by others. Accordingly, paragraph 4(xv) of the Order is not applicable.
- (xvi) According to the records maintained by the Company and based on information and explanations given to us, the Company does not have any term loan. Accordingly, paragraph 4(xvi) of the Order is not applicable.
- (xvii) Based on our examination of the Balance Sheet of the Company as at 31 March 2005, and information and explanations given to us, we report that funds raised on a short term basis, if any, have not been used for long term investment and vice versa.
- (xviii) During the year, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(xviii) of the Order is not applicable.
- (xix) The Company has not issued any debentures during the year ended 31 March 2005. Accordingly, paragraph 4(xix) of the Order is not applicable.
- (xx) During the year ended 31 March 2005, the Company has not raised money by way of public issue. Accordingly, paragraph 4(xx) of the Order is not applicable.
- (xxi) Based on the audit procedures performed and 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 the year ended 31 March 2005.

For and on behalf of  
**Rahul Gautam Divan & Associates**  
Chartered Accountants

Place: Mumbai  
Date: 11<sup>th</sup> May, 2005

**Rahul Divan**  
Partner  
Membership No: 100733



**Colwell and Salmon Communications (India) Limited**

**BALANCE SHEET AS AT 31ST MARCH, 2005**

Schedules	As at 31.03.05 (Rs in lac)	As at 31.03.04 (Rs in lac)
<b>SOURCES OF FUNDS</b>		
<b>Shareholder's Funds</b>		
Share Capital	75.00	75.00
<b>Loan Funds</b>		
Secured Loan	654.15	264.17
Unsecured Loans	541.10	1,195.25
	138.48	402.64
<b>Total</b>	<b>1,270.25</b>	<b>477.64</b>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Gross Block	3.60	-
Less : Depreciation	0.14	-
Net Block	3.46	-
<b>Current Assets, Loans and Advances</b>		
Sundry Debtors	298.54	237.09
Cash and Bank Balances	20.37	47.08
Loans and Advances	23.74	19.73
	342.65	303.90
<b>Less: Current Liabilities and Provisions</b>		
Liabilities	285.64	295.19
Provisions	11.02	7.09
	296.66	302.28
<b>Net Current Assets</b>	<b>45.99</b>	<b>1.62</b>
<b>Miscellaneous Expenditure</b>		
(to the extent not written off or adjusted)	1.55	2.02
Profit & Loss Account	1,219.25	474.00
<b>Total</b>	<b>1,270.25</b>	<b>477.64</b>
<b>Notes on Accounts</b>		
11		

The schedules referred to above and statement on Significant Accounting Policies form an integral part of Balance Sheet

As per our report attached For and on behalf of  
 Sanjay Dalmia Director  
 P Sampath Director  
 Rahul Gautam Divan & Associates Chartered Accountants

Rahul Divan Partner  
 Sanjay Purohit Chief Executive Officer  
 C.M.Sharma Chief Financial Officer  
 Date : 11th May, 2005  
 Place : Mumbai  
 Date : 11th May, 2005  
 Place : Noida

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2005**

Schedules	2004-05 (Rs in lac)	2003-04 (Rs in lac)
<b>INCOME</b>		
Export-Services	799.74	494.54
Domestic-Services/Outsourcing Income	171.00	168.30
Other Income	15.73	-
<b>TOTAL INCOME</b>	<b>986.47</b>	<b>662.84</b>
<b>EXPENDITURE</b>		
Personnel Expenses	869.92	473.35
Operating and Administrative Expenses	825.84	654.88
<b>SUB TOTAL</b>	<b>1,695.76</b>	<b>1,128.22</b>
Loss before Interest and Depreciation	(709.29)	(465.39)
Financial Expenses (net)	35.83	8.61
Loss before Depreciation	(745.12)	(474.00)
Depreciation	0.14	-
Loss for the year carried to the Balance Sheet	(745.25)	(474.00)
Earnings per share-Basic & Diluted	(99.37)	(63.20)
<b>Notes on Accounts</b>		
11		

The schedules referred to above and statement on Significant Accounting Policies form an integral part of Profit and Loss Account

As per our report attached For and on behalf of  
 Sanjay Dalmia Director  
 P Sampath Director  
 Rahul Gautam Divan & Associates Chartered Accountants

Rahul Divan Partner  
 Sanjay Purohit Chief Executive Officer  
 C.M.Sharma Chief Financial Officer  
 Date : 11th May, 2005  
 Place : Mumbai  
 Date : 11th May, 2005  
 Place : Noida

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

**SCHEDULE 1: SHARE CAPITAL**

	As at 31.03.05 (Rs in lac)	As at 31.03.04 (Rs in lac)
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
10,00,000 Equity Shares of Rs.10/- each	100.00	100.00
<b>Issued,Subscribed and Paid up</b>		
750,000 Equity Shares of Rs.10/-each fully paid up	75.00	75.00
	<b>75.00</b>	<b>75.00</b>

The entire share capital of the company represents shares held by GHCL Limited and its nominees, as in the previous year.

**SCHEDULE 2: SECURED LOANS**

	As at 31.03.05 (Rs in lac)	As at 31.03.04 (Rs in lac)
Foreign Currency Pre cum Post Shipment Credit from Exim Bank	654.15	264.17
(Secured against exclusive charge over the current assets of the company including contract receivables, corporate guarantee of GHCL Limited and an undertaking to create charge over current & fixed assets of salt division of GHCL Limited)		
<b>Total</b>	<b>654.15</b>	<b>264.17</b>

**SCHEDULE 3: UNSECURED LOANS**

	As at 31.03.05 (Rs in lac)	As at 31.03.04 (Rs in lac)
Loan from GHCL Limited - the holding company	541.10	138.48
<b>Total</b>	<b>541.10</b>	<b>138.48</b>

**SCHEDULE 4: FIXED ASSETS**

PARTICULARS	GROSS BLOCK AT COST		DEPRECIATION		NET BLOCK		
	As at 01.04.04	Additions (Deletions)	As at 31.03.05	As at 01.04.04	Additions (Deletions)	As at 31.03.05	As at 31.03.04
<b>TANGIBLE ASSETS</b>							
Plant and Machinery	-	2.33	2.33	-	0.02	0.02	2.31
Office Equipment	-	0.25	0.25	-	0.06	0.06	0.19
<b>INTANGIBLE ASSETS</b>							
Software	-	1.02	1.02	-	0.06	0.06	0.97
<b>Total</b>	-	<b>3.60</b>	<b>3.60</b>	-	<b>0.14</b>	<b>0.14</b>	<b>3.47</b>

**Colwell and Salmon Communications (India) Limited**
**SCHEDULE 5: CURRENT ASSETS, LOANS AND ADVANCES**

	As at 31.03.05 (Rs in lac)	As at 31.03.04 (Rs in lac)
<b>CURRENT ASSETS</b>		
<b>Sundry Debtors</b> (Unsecured, considered good unless stated otherwise)		
Outstanding over six months	-	-
Considered Good	-	-
Considered Doubtful	1.68	-
Provision for Doubtful Debts	(1.68)	-
Other debts	298.54	237.09
<b>Sub Total</b>	<b>298.54</b>	<b>237.09</b>
<b>Cash &amp; Bank Balances</b>		
Cash balance on hand	0.83	1.38
Balance with Scheduled Banks :		
In Current Accounts	18.83	45.45
In EEFC Accounts	0.46	-
In Fixed Deposit	-	-
(Deposited with Government Department as Security Deposit)	0.25	0.25
<b>Sub Total</b>	<b>20.37</b>	<b>47.08</b>
<b>LOANS AND ADVANCES</b> (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	20.16	16.27
Tax Deducted at Source	3.58	3.46
<b>Sub Total</b>	<b>23.74</b>	<b>19.73</b>
<b>Grand Total</b>	<b>342.65</b>	<b>303.90</b>

**SCHEDULE 6: CURRENT LIABILITIES & PROVISIONS**

	As at 31.03.05 (Rs in lac)	As at 31.03.04 (Rs in lac)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors for Expenses	133.46	81.89
Other Liabilities	149.23	210.58
Interest Accrued but not due	2.24	0.03
Advance Received from Customers	0.70	2.69
	<b>285.64</b>	<b>295.19</b>
<b>PROVISIONS</b>		
Leave Encashment	11.02	7.09
<b>Total</b>	<b>296.67</b>	<b>302.28</b>

**SCHEDULE 7: MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

	As at 31.03.05 (Rs in lac)	As at 31.03.04 (Rs in lac)
<b>Preliminary Expenses</b>		
Opening Balance	1.61	1.89
Less: Written off during the year	0.38	0.28
Closing Balance	1.23	1.61
<b>Pre-operative Expenses</b>		
Opening Balance	0.42	0.49
Less: Written off during the year	0.10	0.07
Closing Balance	0.32	0.42
<b>Total</b>	<b>1.55</b>	<b>2.02</b>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**
**SCHEDULE 8: PERSONNEL EXPENSES**

	2004-2005 (Rs in lac)	2003-2004 (Rs in lac)
Salaries	775.54	411.15
Contribution to Provident Funds and other funds	41.07	24.23
Staff Welfare	44.65	30.04
Leave Encashment	8.66	7.92
<b>Total</b>	<b>869.92</b>	<b>473.35</b>

**SCHEDULE 9: OPERATING AND ADMINISTRATIVE EXPENSES**

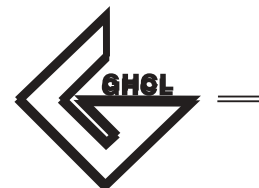
	2004-2005 (Rs in lac)	2003-2004 (Rs in lac)
Travelling and Conveyance	66.18	70.46
Rent	1.20	1.20
Auditors' Remuneration	0.60	0.48
Communication and Postage	4.35	5.12
Commission on Export Services	0.20	0.37
Legal, Professional & Consultancy	39.20	136.26
Recruitment Expenses	78.91	15.27
Printing & Stationery	4.00	3.46
Repair & Maintenance	1.08	0.19
Office Maintenance	0.20	0.44
Transportation Charges	84.98	69.58
Vehicle Hire Charges	0.77	1.90
Business Promotion	2.44	0.82
Business Outsourcing Expenses	384.03	274.59
Training Expenses	7.45	12.78
Preliminary Expenses w/off	0.38	0.28
Pre-operative Expenses w/off	0.10	0.07
Exchange Rate Fluctuation (Net)	(8.48)	11.34
Insurance Expenses	8.37	0.02
Provision for Doubtful Debts	1.68	-
Overseas Marketing Expenses	123.88	38.26
Miscellaneous Expenses	24.33	11.99
<b>Total</b>	<b>825.84</b>	<b>654.88</b>

**SCHEDULE 10: FINANCIAL EXPENSES**

	2004-2005 (Rs in lac)	2003-2004 (Rs in lac)
Interest	33.63	4.05
Bank Charges etc	2.43	4.63
	<b>36.07</b>	<b>8.68</b>
Less: Interest income	0.24	0.07
<b>Total</b>	<b>35.83</b>	<b>8.61</b>

**SCHEDULE 11: NOTES ON ACCOUNTS**
**A) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

- General**  
The accounts are prepared under the historical cost convention using the accrual method and on the principle of going concern.
- Revenue Recognition**  
Export services and domestic services represents the value of the services rendered during the period. Performance Guarantee Charges are accrued on the basis of best management estimates, considering the nature of business.
- Fixed Assets and Depreciation**  
Fixed Assets are stated at cost less depreciation and impairment loss, if any. Depreciation is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Intangible assets are depreciated on straight line basis over the useful life of the assets not exceeding ten years. Assets acquired during the year whose cost does not exceed Rs. 5000 are fully depreciated in the year of acquisition. Depreciation is adjusted in subsequent periods to allocate the asset's revised carrying amount after the recognition of an impairment loss, if any on systematic basis over its remaining life.
- Preliminary Expenses**  
Preliminary expenses are amortised/written off over a period of five years from the date of commencement of commercial operations.
- Pre-Operative Expenses**  
Pre-operative expenses incurred by the company from the date of incorporation till 31st March, 2003 have been treated as pre-operative expenses and are written off/amortised over the number of years as determined by the Management. This is in accordance with the requirements of Accounting Standard 26 (Intangible Assets).
- Intangible Assets**  
Intangible Assets are stated at cost of acquisition less accumulated amortisation/depreciation.
- Foreign Currency Transactions**  
Foreign Exchange transactions are recorded at the rate prevailing on the date of transaction and exchange differences are dealt with in the Profit & Loss Account. All exchange differences arising from foreign currency transactions remaining unsettled at year end are translated at the rates prevailing at the end of the year, are dealt with in the Profit & Loss Account. Foreign Currency Accounts with the Banks are converted at the rates prevailing on the date of the Balance Sheet.



**Colwell and Salmon Communications (India) Limited**

**8. Retirement Benefits**

- (a) Contribution of provident fund is made in accordance with the provisions of the Provident Fund and Miscellaneous Provisions Act, 1952 based on the terms of the contract with the employees.
- (b) Leave encashment provision has been made on the basis of an actuarial valuation at year end.
- (c) The company has taken a Group Gratuity Policy under the Cash Accumulation System with Life Insurance Corporation of India for payment of gratuities to the retiring employees.  
The premiums paid for the period have been charged to the Profit and Loss Account.
- (d) The company has taken a Superannuation policy under the Cash Accumulation System with Life Insurance Corporation of India for payment of superannuation to the retiring employees.  
The premiums paid for the period have been charged to the Profit and Loss Account.

**9. Borrowing Costs**

Borrowing Costs other than those that are attributable to the acquisition and construction of qualifying assets are recognised as an expense in the period in which they are incurred.

**10. Taxation**

No provision for taxation is made as the company is eligible for tax exemption under section 10A of the Income tax Act, 1961.

**B) NOTES ON ACCOUNTS**

- 11. The company commenced commercial operations on 1st July, 2003. Consequently, the comparative figures in the Profit & Loss Account represent figures for a period of nine months and are not directly comparable with current period figures which represent figures for a period of twelve months.
- 12. This is the second year of commercial operations of the Company. Losses have been incurred and the accumulated losses have exceeded the networth. However, as a result of actions initiated by the Company, its turnover has increased substantially. Further, the Company has prepared strategic plans to ensure future profitability by way of significant orders, cost cutting measures and focused marketing. The diminution in the value of networth is only of a temporary nature and the accounts have been prepared on a going concern basis.
- 13. According to the information available, the Company does not have any amount outstanding to suppliers registered as small scale undertakings.
- 14. The Company has established Software Technology Park - 100% Export Oriented unit for providing I.T.enabled services at Noida.

	2004-05 (Rs in lac)	2003-04 (Rs in lac)
--	------------------------	------------------------

15. Auditors' Remuneration:		
Statutory Audit Fees	0.44	0.27
Tax Audit Fees	0.11	0.11
Certification Charges	-	0.09
Out of Pocket Expenses	0.05	0.01
16. Managerial Remuneration :		
Wholetime Director *		
Salary	1.60	5.22
Contribution to Provident and Superannuation funds	0.43	1.41
Perquisites	5.19	8.49
Performance Bonus**	-	12.00

\*The remuneration of Wholetime Director is for only a part of the year during which he was employed.

\*\*Performance bonus provided last year but not paid.

Note : Approval has been taken from Company Law Board for the payment of above remuneration.

17. Earnings in Foreign Exchange	799.74	533.24
18. Value of Imports on CIF basis Capital Goods	2.33	-
19. Expenditure in Foreign Currency	2004-05 (Rs in lac)	2003-04 (Rs in lac)
Travelling	22.96	23.45
Professional/consultancy	24.90	89.33
Marketing Expenses	123.88	38.26
Performance Gurantee	-	38.70
Others	35.59	10.38

**20. Earnings Per Share**

Earnings Per Share has been computed as under:	2004-05	2003-04
a. Net Profit (Rs in lac)	(745.25)	(474.00)
b. No of Equity shares outstanding	750,000	750,000
c. Earning Per share ( Face value of Rs 10/- per share)	(99.37)	(63.20)
(a)/(b) (Basic and diluted)		

**21. Intangible Assets**

Intangible Asset comprises of expenditure incurred during the year on Software as per the provisions of AS 26 issued by the ICAI.

**22. Related Party Transactions :**

- a. Holding Company - GHCL Limited
- b. Fellow Subsidiary - Colwell & Salmon Communications, Inc, USA

**Key Management Personnel:**

Atul Lal

Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March , 2005

Type of Transactions	Holding Company	Fellow Subsidiary	Key Management Personnel
1. Finance:			
- Loans Taken	402.62 (136.69)	0.00	
- Equity	-	0.00	
	(70.00)		
2. Services:			
- Income	171.00 (168.30)	551.08 (500.62)	
- Expenses (Net)	384.03 (274.59)	117.90 (115.26)	
3. Guarantees & Collaterals given by Holding co.	656.25 (660.41)	-	
4. Remuneration	-	-	7.23 (27.11)
5. Balances as on 31st March , 2005			
- Unsecured Loans	541.10 (138.48)	-	
- Debtors	-	241.87 (225.39)	
- Creditors	123.37 (71.90)	61.43 (115.26)	

Figures in brackets relate to period ended on 31st March, 2004

**23. Impairment of Assets :**

In pursuance of Accounting Standrad 28 - Impairment of Assets (AS-28) issued by the Institute of Chartered Accountants of India, the Company has reviewed its carrying cost of assets. Based on such review, management is of the view that in the current financial year impairment of assets is not considered necessary, since the assets have been acquired during the year.

- 24. Sundry Debtors , Creditors and Advances are subject to confirmation and consequent adjustment, if any.
- 25. Previous year's figures have been regrouped and reclassified wherever necessary.

Signatories to Schedule 1 to 11

As per our report attached For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Director	P Sampath Director
Rahul Divan Partner	Sanjay Purohit Chief Executive Officer	C.M.Sharma Chief Financial Officer
Date : 11th May, 2005 Place : Mumbai	Date : 11th May, 2005 Place : Noida	

**Colwell and Salmon Communications (India) Limited**

**CASH FLOW STATEMENT FOR THE PERIOD ENDED  
31ST MARCH, 2005**

	2004-05 (Rs in lac)	2003-04 (Rs in lac)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit/(loss) before tax and Extraordinary items	(745.25)	(474.00)
<b>Adjustment for :</b>		
Depreciation	0.14	-
Provision for Leave Encashment	8.66	7.09
Financial Expenses (net)	35.83	8.61
	<u>44.62</u>	<u>15.70</u>
<b>Operating Profit/(Loss) before Working Capital Charges</b>	<b>(700.63)</b>	<b>(458.30)</b>
<b>Adjustments for:</b>		
Current Assets & Loans and Advances	(65.46)	(253.82)
Liabilities	(16.48)	294.79
	<u>(81.94)</u>	<u>40.97</u>
<b>Other Adjustments</b>		
Preliminary Expenses written off	0.38	0.28
Pre-operative Expenses written off	0.10	0.07
	<u>(782.09)</u>	<u>(416.97)</u>
<b>Cash Generated from Operating activities</b>	<b>(782.09)</b>	<b>(416.97)</b>
Interest Paid	(33.86)	(8.65)
<b>Net Cash from Operating Activities</b>	<b>(815.95)</b>	<b>(425.62)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(3.60)	-
Interest Received	0.24	0.07
<b>Net Cash used in Investing Activities</b>	<b>(3.36)</b>	<b>0.07</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Equity Shares	-	70.00
Secured Loans	389.99	264.17
Unsecured Loans	402.62	136.69
<b>Net Cash used in Financial Activities</b>	<b>792.61</b>	<b>470.85</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(26.71)</b>	<b>45.30</b>
Cash and Cash Equivalents as at 1st April (Opening Balance)	47.08	1.78
Cash and Cash Equivalents as at 31st March (Closing Balance)	20.37	47.08

NOTE : Figures in bracket represent Cash outflows.

As per our report attached For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Director	P Sampath Director
Rahul Divan Partner	Sanjay Purohit Chief Executive Officer	C.M.Sharma Chief Financial Officer
Date : 11 <sup>th</sup> May, 2005 Place : Mumbai	Date : 11 <sup>th</sup> May, 2005 Place : Noida	

**ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

**Balance Sheet Abstract and Company's General Business Profile:**

<b>I.</b>	Registration No.:	U3009GJ2002PLC41767	State Code:	04	Balance Sheet Date :	31st March, 2005
<b>II.</b>	<b>Capital Raised during the year ( Amount in Rs.'000)</b>					
	Public Issue :		Nil	Right Issue :		Nil
	Bonus Issue :		Nil	Private Placement :		Nil
<b>III.</b>	<b>Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)</b>					
	Total Liabilities			Total Assets		
	<b>Sources of Funds</b>			<b>Application of Funds</b>		
	Paid-up Capital		7,500	Net Fixed Assets		347
	Reserves and Surplus		-	Investments		-
	Secured Loans		65,415	Net Current Assets		4,599
	Unsecured Loans		54,110	Deferred Tax Liability		-
				Misc. Expenditure		155
				Pre-Operative Expenses		-
				Accumulated Losses		121,925
<b>IV.</b>	<b>Performance of Company (Amount in Rs.'000)</b>					
	Turnover		98,647	Total Expenditure		173,172
	Profit/(Loss) Before Tax		(74,525)	Profit/(Loss) After Tax		(74,525)
	Earning per share in Rs.		(99.37)	Dividend Rate		Nil
				Equity Share :		
				- Interim		Nil
				- Final		Nil
				Preference Shares:		
				- Interim		Nil
				- Final		Nil
<b>V.</b>	<b>Generic Names of Three Principal Product/Services of Company ( as per monetary terms)</b>					
	Item Code No. (ITC Code)	:	Not Applicable			
	Product Description	:	IT Enabled Services			

**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

To the Board Of Directors  
GHCL LIMITED

We have examined the attached Consolidated Balance Sheet of GHCL LIMITED ("the Company") and its subsidiaries as at 31<sup>st</sup> March 2005 and the Consolidated Profit and Loss Account annexed there to and the Consolidated Cash Flow Statement for the year ended on that date. 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.

We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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. We believed that our audit provides a reasonable basis for our opinion.

The financial statements of a subsidiary, whose financial statements have been audited by M/s Rahul Gautam Divan & Associates, Chartered Accountants and joint auditors of the Company, reflect total assets (net) of Rs 51.00 lakhs as at 31<sup>st</sup> march 2005 and total revenues of Rs986.47 lakhs for the year ended on that date.

We did not audit the financial statements of the other subsidiary, whose financial statements reflect total assets of Rs.587.43 lakhs (net) as at 31<sup>st</sup> March 2005 and total revenues of Rs. 3778.44 lakhs for the year ended on that date. These financial statements have been audited by other auditors whose report has been furnished to us, and in our opinion, so far as it relates to the amounts included in respect of that subsidiary, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said 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 consolidated state of affairs of the company and its subsidiaries as at 31<sup>st</sup> March 2005.
- (b) In case of the Consolidated Profit and Loss account of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
- (c) In the case Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

For and on behalf of  
JAYANTILAL THAKKAR & CO.  
Chartered Accountants

(C. V. THAKKER)  
Partner  
Membership No.6205

For and on behalf of  
RAHUL GAUTAM DIVAN & ASSOCIATES  
Chartered Accountants

(RAHUL DIVAN)  
Partner  
Membership No.100733

Place : Camp Delhi  
Dated : 23<sup>rd</sup> June, 2005



**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005**

	Schedules		As at 31.03.2005 (Rs in lacs)	As at 31.03.2004 (Rs in lacs)
<b>SOURCES OF FUNDS</b>				
<b>Shareholder's Funds</b>				
Capital	1	<b>9,508.84</b>	9,508.84	
Reserves and Surplus	2	<b>13,407.33</b>	12,545.88	
			<b>22,916.17</b>	22,054.72
			<b>(50.75)</b>	(26.93)
<b>Minority Interest</b>				
<b>Loan Funds</b>				
Secured Loans	3	<b>21,275.00</b>	15,614.06	
Unsecured Loans	4	<b>101.85</b>	372.14	
			<b>21,376.85</b>	15,986.20
<b>Deferred Tax Liability</b>				
			<b>7,933.82</b>	6,965.94
<b>Total</b>			<b>52,176.09</b>	44,979.93
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	5	<b>74,793.10</b>	67,915.35	
Less : Depreciation		<b>36,069.12</b>	32,244.11	
Net Block		<b>38,723.98</b>	35,671.24	
Capital Work-in-Progress		<b>310.13</b>	97.49	
Advances against capital expenditure		<b>258.06</b>	80.59	
			<b>39,292.17</b>	35,849.32
<b>Investments</b>	6		<b>1,050.94</b>	100.24
<b>Current Assets, Loans and Advances</b>				
Inventories		<b>9,436.00</b>	8,179.34	
Sundry Debtors		<b>7,558.24</b>	5,875.70	
Cash and Bank Balances		<b>3,391.06</b>	3,260.22	
Loans and Advances		<b>7,990.75</b>	5,565.88	
		<b>28,376.05</b>	22,881.14	
<b>Less : Current Liabilities and Provisions</b>				
Liabilities	8	<b>15,260.38</b>	13,373.52	
Provisions		<b>2,193.98</b>	1,652.93	
		<b>17,454.36</b>	15,026.45	
<b>Net Current Assets</b>			<b>10,921.69</b>	7,854.69
<b>Miscellaneous Expenditure</b>				
(to the extent not written off or adjusted)				
Deferred Revenue Expenses			<b>911.29</b>	1,175.68
<b>Total</b>			<b>52,176.09</b>	44,979.93

**Notes on Accounts** 16  
**The Schedules referred to above form an integral part of the Balance Sheet**

As per our report attached

For and on behalf of  
 Jayantilal Thakkar & Co.  
 Chartered Accountants

For and on behalf of  
 Rahul Gautam Divan & Associates  
 Chartered Accountants

Sanjay Dalmia  
 Chairman

P. Sampath  
 Joint Managing Director

(C. V. Thakker)  
 Partner

(Rahul Divan)  
 Partner

Dr B.C.Jain  
 Director

R. S. Jalan  
 Joint Managing Director

H.H.Faruqi  
 Director

J. P. Mehrotra  
 Sr. General Manager (Finance) &  
 Company Secretary

Place : Camp Delhi  
 Date : 23<sup>rd</sup> June, 2005

Place : New Delhi  
 Date : 23<sup>rd</sup> June, 2005





**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005**

		<b>2004-05</b> <b>(Rs. in Lacs)</b>		<b>2003-04</b> <b>(Rs in lacs)</b>
<b>INCOME</b>				
Sales	<b>58,955.03</b>		51,703.29	
Less: Excise Duty & Sales Tax	<b>6,962.11</b>	<b>51,992.92</b>	6,297.46	45,405.83
Income from Services		<b>4,571.09</b>		4,237.97
Other Income	9	<b>867.81</b>		791.26
<b>TOTAL INCOME</b>		<b>57,431.82</b>		<b>50,435.06</b>
<b>EXPENDITURE</b>				
Manufacturing Expenses	10	<b>30,740.12</b>		26,138.70
Purchase of Trading Goods		<b>1,086.54</b>		1,786.47
Payments to and Provisions for employees	11	<b>6,228.09</b>		6,265.54
Administrative and Miscellaneous Expenses	12	<b>3,567.99</b>		4,027.05
Selling and Distribution Expenses	13	<b>5,132.15</b>		4,548.09
Excise Duty on Stock		<b>(69.88)</b>		112.12
(Increase)/Decrease in Stock	14	<b>142.78</b>		(644.49)
<b>SUB TOTAL</b>		<b>46,827.79</b>		<b>42,233.48</b>
Profit before Financial Expenses and Depreciation		<b>10,604.03</b>		8,201.58
Financial Expenses	15	<b>1,640.73</b>		1,525.28
Profit Before Depreciation		<b>8,963.30</b>		6,676.30
Depreciation/ Amortisation		<b>3,875.45</b>		3,587.12
Profit Before Taxation		<b>5,087.85</b>		3,089.18
Provision for current Tax		<b>892.21</b>		1,620.02
<b>Profit/(Loss) before Deferred Tax</b>		<b>4,195.64</b>		1,469.16
Provision for Deferred Tax		<b>1,191.89</b>		(581.05)
<b>Profit For The Year after Tax</b>		<b>3,003.75</b>		2,050.21
Less : Minority Interest		<b>(11.67)</b>		(66.62)
Profit after Minority Interest		<b>3,015.42</b>		2,116.83
Balance brought forward from previous year		<b>6,805.04</b>		6,898.18
Arrears of Depreciation/Deferred Revenue Expenses for Earlier Years		<b>-</b>		(312.63)
Provision of Earlier Years not Required		<b>31.50</b>		
Excess/(short) provision for Tax for earlier year		<b>(240.99)</b>		23.70
Excess/(short) provision for Deferred Tax for earlier year		<b>224.01</b>		-
Amount Available For Appropriation		<b>9,834.98</b>		8,726.08
<b>APPROPRIATIONS</b>				
Transfer to Debenture Redemption Reserve		<b>107.14</b>		157.85
Transfer to General Reserve		<b>404.00</b>		150.46
Proposed Dividend on Equity Shares		<b>1,901.77</b>		1,426.33
Tax on Dividend		<b>266.72</b>		186.40
Balance Carried To Balance Sheet		<b>7,155.35</b>		6,805.04
		<b>9,834.98</b>		8,726.08
Weighted number of Shares outstanding (Face Value Rs. 10/- per Share)		<b>95,088,411</b>		95,088,411
Earning per Share - Basic & Diluted		<b>3.19</b>		1.92
<b>Notes on Accounts</b>				
<b>16</b>				
<b>The Schedules referred to above form an integral part of the Profit and Loss Account</b>				

As per our report attached  
For and on behalf of  
Jayantilal Thakkar & Co.  
Chartered Accountants

For and on behalf of  
Rahul Gautam Divan & Associates  
Chartered Accountants

Sanjay Dalmia  
Chairman

P. Sampath  
Joint Managing Director

(C. V. Thakker)  
Partner

(Rahul Divan)  
Partner

Dr B.C.Jain  
Director

R. S. Jalan  
Joint Managing Director

H.H.Faruqi  
Director

J. P. Mehrotra  
Sr. General Manager (Finance) &  
Company Secretary

Place : Camp Delhi  
Date : 23<sup>rd</sup> June, 2005

Place : New Delhi  
Date : 23<sup>rd</sup> June, 2005



**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005**

	<b>2004-2005</b> <b>(Rs in lacs)</b>	2003-2004 (Rs in lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and Extraordinary items	<b>5,087.85</b>	3,089.18
<b>Adjustment for :</b>		
Depreciation	<b>3,875.45</b>	3,587.12
Foreign Exchange Gain	<b>(53.86)</b>	(58.30)
Income from Long Term Investments	<b>(2.20)</b>	(72.23)
Income From Dividend	<b>(1.08)</b>	(0.11)
Prior Period Expenditure	<b>31.50</b>	-
(Profit)/Deficit on Sales / Discarding on Fixed Assets (Net)	<b>(543.06)</b>	(100.89)
Provision for Doubtful Debts	<b>(2.13)</b>	26.05
Provision for Leave encashment	<b>8.66</b>	55.92
Loss on Sale of Investments	<b>-</b>	400.44
Financial Expenses	<b>1,640.73</b>	1,521.32
	<b>4,954.01</b>	5,359.33
<b>Operating Profit before Working capital Changes</b>	<b>10,041.86</b>	8,448.51
<b>Adjustments for :</b>		
Trade & other Receivables	<b>(4,223.20)</b>	(3,875.51)
Inventories	<b>(1,256.66)</b>	(1,579.55)
Trade payables	<b>771.72</b>	1,378.50
	<b>(4,708.14)</b>	(4,076.56)
<b>Other Adjustments</b>		
Deferred Revenue Expenditure (to the extent not written off)	<b>264.40</b>	285.70
<b>Cash Generated from Operations</b>	<b>5,598.12</b>	4,657.65
Direct taxes paid	<b>(1,042.14)</b>	(1,601.83)
<b>Net cash from Operating Activities</b>	<b>4,555.98</b>	3,055.82
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<b>(7,475.98)</b>	(4,855.26)
Sale of Fixed Assets	<b>1,785.99</b>	2,440.98
(Purchase)/ Sale of Investments	<b>(950.70)</b>	625.30
Income from Investment	<b>2.20</b>	72.23
Interest Received	<b>56.59</b>	81.44
Income from Dividend	<b>1.08</b>	0.11
<b>Net cash used in Investing Activities</b>	<b>(6,580.82)</b>	(1,635.20)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Secured loans	<b>8,456.55</b>	5,885.80
Repayment of Secured Loans	<b>(2,795.61)</b>	(2,236.12)
Proceeds from Unsecured Loan	<b>8.69</b>	250.00
Repayment of Unsecured Loan	<b>(279.00)</b>	(53.93)
Gain on Exchange	<b>53.86</b>	58.30
Interest and Finance Charges Paid	<b>(1,694.06)</b>	(1,651.78)
Dividend and tax thereon	<b>(1,594.75)</b>	(2,447.69)
<b>C. Net Cash used in Financial Activities</b>	<b>2,155.68</b>	(195.42)
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>130.84</b>	1,225.20
<b>Cash and Cash Equivalents as at 1st April (Opening Balance)</b>	<b>3,260.22</b>	2,035.02
<b>Cash and Cash Equivalents as at 31st March (Closing Balance)</b>	<b>3,391.06</b>	3260.22
<b>Note : Cash and Cash Equivalents as at 31st March</b>	<b>3390.98</b>	3,260.22
<b>Effect of exchange rate changes Gain/(Loss)</b>	<b>0.08</b>	-
<b>Cash &amp; Cash Equivalents as restated</b>	<b>3,391.06</b>	3,260.22

As per our report attached

For and on behalf of Jayantilal Thakkar & Co. Chartered Accountants	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Joint Managing Director
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(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr B.C.Jain Director	R. S. Jalan Joint Managing Director
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H.H.Faruqi Director	J. P. Mehrotra Sr. General Manager (Finance) & Company Secretary
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**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**
**SCHEDULE 1 : SHARE CAPITAL**

	As at 2004-2005 (Rs in lacs)	As at 2003-2004 (Rs in lacs)
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
10,00,00,000 Equity Shares of Rs. 10/- each	<b>10,000.00</b>	10,000.00
2,50,00,000 Cumulative Redeemable	<b>2,500.00</b>	2,500.00
	<b>12,500.00</b>	12,500.00
<b>Issued, Subscribed and Paid up</b>		
9,50,88,411 Equity Shares of Rs.10/- each fully paid up	<b>9,508.84</b>	9,508.84
	<b>9,508.84</b>	9,508.84

**Notes :**

Of the above

- 2,12,50,400 Equity Shares of Rs. 10/- each fully paid up were issued to Financial Institution at par on conversion of loan of Rs. 2,125.04 lacs.
- 18,38,011 Equity Shares of Rs. 10/- each are issued as fully paid pursuant to the Scheme of Amalgamation for consideration other than cash.

**SCHEDULE 2 : RESERVES AND SURPLUS**

	As at 2004-2005 (Rs in lacs)	As at 2003-2004 (Rs in lacs)
<b>CAPITAL RESERVE</b>		
Cash subsidy	<b>22.75</b>	22.75
Government Subsidy for Housing	<b>2.95</b>	2.95
Surplus on re-issue of forfeited shares	<b>15.50</b>	15.50
	<b>41.20</b>	41.20
<b>DEBENTURE REDEMPTION RESERVE</b>		
As per last Balance Sheet	<b>1,821.25</b>	1,663.39
Transfer from Profit and Loss Account	<b>107.14</b>	157.86
	<b>1,928.39</b>	1,821.25
<b>CAPITAL REDEMPTION RESERVE</b>		
As per last Balance Sheet	<b>1,000.00</b>	1,000.00
<b>INVESTMENT ALLOWANCE RESERVE</b>		
As per last Balance Sheet	<b>1,086.00</b>	1,086.00
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	<b>1,792.39</b>	1,641.93
Transfer from Profit and Loss Account	<b>404.00</b>	150.46
	<b>2,196.39</b>	1,792.39
<b>PROFIT AND LOSS ACCOUNT</b>		
Balance as per account annexed	<b>7,155.35</b>	6,805.04
	<b>13,407.33</b>	12,545.88



**SCHEDULE 3 : SECURED LOANS**

	<b>As at 2004-2005 (Rs in lacs)</b>	<b>As at 2003-2004 (Rs in lacs)</b>
<b>DEBENTURES</b>		
14% Non Convertible Debentures	-	167.00
13.50% Non Convertible Debentures	-	1,334.00
10.25%(13%) Non Convertible Debentures	<b>1,500.00</b>	1,500.00
10.00% Non Convertible Debentures	<b>2,750.00</b>	2,750.00
<b>FROM BANKS</b>		
Working Capital Loans	<b>5,433.38</b>	3,912.43
<b>FROM OTHERS</b>		
<b>Foreign Currency Loan</b>		
IDBI	<b>1,181.37</b>	1,652.69
Exim Bank	<b>1,137.57</b>	1,175.87
Rabo Bank	<b>1,968.74</b>	-
HSBC	<b>94.95</b>	124.31
Foregn Currency Loan- Lease	<b>46.53</b>	63.76
<b>Rupee Term Loan</b>		
Exim Bank	<b>3,281.14</b>	2,934.00
State Bank of Travancore	<b>1,146.22</b>	-
Canara Bank	<b>1,310.10</b>	-
G.E.Capital Services India Ltd.	<b>1,425.00</b>	-
	<b>21,275.00</b>	<b>15,614.06</b>

**Notes:**

1. a) 14% Non Convertible Debentures privately placed with Central Bank of India were fully redeemed during the year.
- b) 13.50% Non Convertible Debentures placed with Unit Trust of India was pre-paid during the year.
- c) 10.25% (13%) Non-Convertible Debentures are privately placed with Industrial Development Bank of India and will be redeemed at par at the end of 7th year from the date of allotment i.e. 2nd Dec.1998.
- d) 10% Non-Convertible Debentures privately placed with Financial Institutions and will be redeemed at par in three equal installments at the end of 5th, 6th, 7th year from the date of allotment i.e 28th April 2000, 25th August 2000 and 6th November 2000 and are secured by registered mortgage in favour of the Trustees on immovable properties of Soda Ash division situated at Village Sutrapada near Veraval, Gujarat and hypothecation of specified movable assets of Soda Ash Division.
- e) All the above Non Convertible Debentures are secured by registered mortgage in favour of the Trustees on immovable properties of Soda Ash Division situated at (i) Village Sutrapada near Veraval and Ahmedabad in Gujarat (ii) Noida in Uttar Pradesh (iii) Kadwar, Taluka Veraval in Gujarat both present and future and hypothecation of specified movable assets of Soda Ash Division.
2. a) Foreign Currency Loan from IDBI has been secured against first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at (1) Village Sutrapada and Kadwar, Veraval in Gujarat (2) Noida in U.P (3) Ahmedabad properties and hypothecation of specified movable assets of Soda Ash Division both present and future.
- b) Foreign Currency Loan from Exim Bank is secured by way of exclusive first charge on moveable fixed assets pertaining to GHCL's ITES Division both existing and thereafter acquired.
- b) Foreign Currency loan from the Exim Bank for the Indian subsidiary is secured against exclusive charge over the current assets of the Indian subsidiary including contract receivables, corporate guarantee of holding company and an undertaking to create charge over current & fixed assets of salt division of holding company.
- c) Foreign Currency Loan from Rabo Bank has been secured against first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at village Sutrapada, Veraval in Gujarat and hypothecation of specified movable assets of Soda Ash Division both present and future.
- d) Term Loan from HSBC for the foreign subsidiary company is secured against exclusive first charge by way of hypothecation in favour of HSBC Bank over moveable fixed assets, both present and future of the foreign subsidiary guaranteed by the holding company.
3. a) Rupee Term Loan from Exim Bank is secured by exclusive first charge by way of equitable mortgage on core assets of textile division situated at Paravai and Manaparai, Tamil Nadu and hypothecation of specified movable assets both present and future of the company's Textile Division. The said loan is availed under Technology Upgradation Fund Scheme for Textile
- b) Rupee Term Loan from State Bank of Travancore is secured by an exclusive first charge by way of equitable mortgage on immovable properties pertaining to Wind Mill Division - I situated at Irukkandurai Village, Tirunelveli District in the state of Tamil nadu and hypothecation of all present and future movable assets of Wind Mill Division - I. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
- c) Rupee Term Loan from Canara Bank is secured by an exclusive first charge on all present and future movable assets of Wind Mill Division - II situated at Chinnaputhur, Near Poolavadi in the state of Tamil Nadu. The said loan is availed under Technology Upgradation Fund Scheme for Textile.



- d) Rupee Term Loan from GE Capital Services India Ltd. is secured by an exclusive first charge on all present movable assets of Edible Salt division situated at Thiruporur and Vedaranyam and Industrial Salt Division.
4. Working Capital Loans / Bill discounting from Banks / Financial Institutions are secured by way of hypothecation of stock-in-trade and book debts of Soda Ash / Edible Salt / Textile Divisions and second charge on other movable assets including plant & machineries and immovable assets of Soda Ash Division, both present and future.
5. Specified movable assets referred to in the above notes include all movable assets of Soda Ash Division (save and except book debts) both present and future but subject to prior charge created and / or that may be created in favour of company's Bankers on stock-in-trade for securing borrowing for working capital.

**SCHEDULE 4 : UNSECURED LOANS**

	<b>As at 2004-2005 (Rs in lacs)</b>	<b>As at 2003-2004 (Rs in lacs)</b>
Fixed Deposits	<b>3.39</b>	17.93
Other Loans and Advances :		
Interest free Sales Tax loan	<b>43.47</b>	57.92
Loan from Bank	-	250.00
Others	<b>54.99</b>	46.29
<b>Total</b>	<b>101.85</b>	372.14

**SCHEDULE 5 : FIXED ASSETS**

Rs in Lacs

PARTICULARS	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK	
	As at 01.04.2004	Additions (Deletions)	As at 31.03.2005	As at 01.04.2004	Additions (Deletions)	As at 31.03.2005	As at 31.03.2005	As at 31.03.2004
<b>TANGIBLE ASSETS</b>								
Leasehold Land	600.63	-	600.63	71.27	4.88	76.15	524.48	529.36
Freehold Land	3,966.12	97.03 (1,122.46)	2,940.69	-	-	-	2,940.69	3,966.12
Buildings	8,329.15	243.36 (75.17)	8,497.34	1,866.45	197.70 (11.38)	2,052.77	6,444.57	6,462.70
Plant and Machinery	50,454.83	2,055.25 (57.45)	52,452.63	28,470.36	2,963.19 (17.64)	31,415.91	21,036.72	21,984.46
Furniture and Fixtures	711.53	22.48 (15.06)	718.95	276.44	43.66 (7.14)	312.96	405.99	435.09
Office Equipments	1,193.32	58.01 (1.11)	1,250.22	612.57	83.19 (0.09)	695.67	554.55	580.75
Vehicles	277.72	40.71 (22.97)	295.46	108.28	26.90 (15.04)	120.14	175.32	169.44
Wind Turbine Generators		4,082.12	4,082.12	-	48.57	48.57	4,033.55	-
Leased Mines	336.36	1,003.42	1,339.78	-	71.48	71.48	1,268.30	336.36
<b>INTANGIBLE ASSETS</b>								
Goodwill	1,301.00	65.98	1,366.98	422.69	273.40	696.09	670.89	878.31
Software	100.33	5.63	105.96	43.20	21.33	64.53	41.43	57.13
Salt Works Reservoirs and Pans	644.36	497.98	1,142.34	372.85	142.00	514.85	627.49	271.51
<b>Total</b>	<b>67,915.35</b>	<b>8,171.97 (1,294.22)</b>	<b>74,793.10</b>	<b>32,244.11</b>	<b>3,876.30 (51.29)</b>	<b>36,069.12</b>	<b>38,723.98</b>	<b>35,671.24</b>
Previous Year	66,044.93	4,726.82 (2,856.40)	67,915.35	28,860.66	*3899.76 (516.31)	32,244.11	35,671.24	-

- Building include a sum of Rs. 91.36 Lacs (Previous Year 91.36 Lacs) being cost of office premises acquired on ownership basis.
  - Pending transfer of lease rights / extension of lease of salt fields at vedranium (Tamilnadu) the advance of Rs 450.00 paid has been apportioned to various assets as per the valuation report.
  - Leased mines represent expenditure incurred on development of mines.
  - Current Year Depreciation includes Rs 0.86 Lacs capitalised as pre-operative expenses.
- \*5.) Previous year depreciation includes arrears of depreciation and amortisation of Rs 312.63 Lacs.



**SCHEDULE 6 : INVESTMENTS**

	<b>As at 2004-2005 (Rs in lacs)</b>	<b>As at 2003-2004 (Rs in lacs)</b>
<b>LONG TERM INVESTMENTS OTHER THAN TRADE</b>		
<b>Unquoted</b>		
Govt securities - 7 year National Savings Certificates (Pledged with Central Excise and other Authorities	7.77	7.77
5000 Equity Shares of Rs 10/- each fully paid up of GHCL Co-operative Society Limited.	0.50	0.50
	-	
50 Equity shares of Rs. 20/- each fully paid up of Pudukottai Central Co op Supply & Marketing Society Limited.	0.01	0.01
10 Equity shares of Rs. 10/- each fully paid up of Pandian Co op Super Market Limited. ( Rs. 100/-)		
Nil (Previous Year 50) 15.75% Secured redeemable Non Convertible Bonds of Rs. 50000 each of Krishna Bhagya Jal Nigam Ltd ( Redeemed during the year)	-	25.00
Nil (Previous year 15) 15.5% Secured redeemable non convertible regular return Bonds of Rs. 100000 each of Sardar Sarover Narmda Nigam Limited (Redeemed during the year)	-	15.00
<b>Quoted</b>		
16300 Equity shares of IDBI Bank Limited of Rs. 10/- each fully paid up	2.93	2.93
8300 Equity shares of HDFC Bank Limited of Rs. 10/- each fully paid up	0.83	0.83
57120 Equity shares of IDBI Limited of Rs. 10/- each fully paid up	46.41	46.41
2595 Equity shares of Dena Bank of Rs. 10/- each fully paid up (Acquired during the year)	0.70	-
1860 Equity shares of Gnanambigai Mills Limited of Rs. 10/- each fully paid up	0.21	0.21
4500 Equity shares of Canara Bank of Rs. 10/- each fully paid up	1.58	1.58
<b>CURRENT INVESTMENTS (UNQUOTED)</b>		
(Acquired during the year) (At lower of cost and fair value - fully paid)		
3097301 Units of DSML Floating Rate Fund	340.00	-
458354 Units of Birla Floating Rate Fund Growth	50.00	-
1856229 Units of Reliance Treasury Plan Institutional Plan	300.00	-
2926059 Units of Ing Vysa Floating Rate Fund Growth	300.00	-
	<b>1,050.94</b>	<b>100.24</b>

	<b>As at 31.3.2005</b>		<b>As at 31.3.2004</b>	
	<b>Book Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>Market Value</b>
Quoted	52.66	117.47	51.96	79.45
Others	998.28		48.28	
	<b>1,050.94</b>		<b>100.24</b>	


**DETAILS OF INVESTMENTS PURCHASED & SOLD DURING THE YEAR 2004-05**

Particulars of Investment	No. of Unit		
Birla Floating rate Fund Short Term Plan - Dividend Reinvest	2485568	ING Vysya Liquid Fund Growth Option	3861703
Birla Floating rate Fund Short Term Plan - Growth	25700617	Reliance Floating Rate Fund - Growth Plan Growth Option	6308530
DSP Merrill Lynch Floating Rate Fund - Growth	88815075	Reliance Liquid Fund Cash Plan Growth Option Growth Plan	3825612
DSP Merrill Lynch Liquidity Fund Growth	1797389	RLF Treasury Plan - Institutional Option- Growth Option Growth Plan	909148
DSP Merrill Lynch Saving Plus Moderate - Growth	127360	TATA INCOME FUND BONUS - BONUS UNITS	241903
FT India Monthly Income Plan A Growth	94208	Templeton Floating Rate Income Fund Short Term Plan Growth	5263890
GDGB Grindlays Dyanamic Bond Fund Inst Plan B Growth	819444	Templeton India Treasury Management Account	12921
GFBG Grindlays Floating Rate Inst. Paln-B Growth	40626341	UTI Floating Rate Fund Short Term Paln Growth	6675764
HDFC Cash Management Fund Saving Plan Growth	2482568	UTI Liquid Cash Plan Regular- Growth Option	806891
HDFC Floating Rate Inome Fund Stp Growth	19940164	UTI Money Market Fund - Growth Plan	2319255
HDFC Liquid Fund Growth	528079		<u>219642666</u>
ING Vysya Floating Rate Fund - Growth	6000237		

**SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES**

	As at 2004-2005 (Rs in lacs)	As at 2003-2004 (Rs in lacs)
<b>CURRENT ASSETS</b>		
<b>Inventory (as taken, valued and certified by the Management)</b>		
At cost or net realisable value which ever is lower		
Raw materials	5,850.05	4,444.21
Finished goods	1,013.33	1,477.04
Stock in process	584.82	263.03
Stores and spares	<u>1,987.80</u>	<u>1,995.06</u>
	<u>9,436.00</u>	<u>8,179.34</u>
<b>Sundry Debtors (Unsecured, considered good unless stated otherwise)</b>		
Outstanding over six months		
Considered good	68.30	76.35
Considered doubtful	39.92	37.97
Provision for Doubtful Debts	<u>(38.98)</u>	<u>(37.97)</u>
	69.24	76.35
Other debts	<u>7,489.00</u>	<u>5,799.35</u>
	<u>7,558.24</u>	<u>5,875.70</u>
<b>Cash &amp; Bank Balances</b>		
Cash balance on hand	22.01	22.70
Balances with Scheduled Banks		
In Current Accounts	1,158.52	570.46
In Fixed deposit	602.25	265.74
(Pledged with Govt Authoritiess/Bank - Rs. 65 Lacs)		
In Margin Account	392.14	1,340.86
Remittances in transit	<u>1,216.14</u>	<u>1,060.46</u>
	<u>3,391.06</u>	<u>3,260.22</u>
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	7,303.09	4,925.48
Interest Accrued on Investments	4.79	4.18
Balances with Customs, Port Trust, Central excise etc.,	420.41	278.00
Income Tax paid/Tax Deducted at Source (net of provisions)	241.46	347.22
Fixed Deposits with Sardar Sarover Narmada Nigam Ltd.	<u>21.00</u>	<u>11.00</u>
(Pledged with Govt Authoritiess - Rs. 6.00 Lacs)	<u>7,990.75</u>	<u>5,565.88</u>



**SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS**

	As at 2004-2005 (Rs in lacs)	As at 2003-2004 (Rs in lacs)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors for Goods and Expenses	5,483.92	5,580.11
Sundry Creditors for Capital Expenditure	1,513.59	428.33
Sundry Creditors-Small Scale Industrial Undertakings	97.07	9.98
Advances from Customers	551.78	439.62
Trade Deposits from Dealers	110.76	110.76
* Investor Education & Protection Fund shall be credited by		
-Unclaimed Dividend	237.42	219.44
-Unclaimed Fixed Deposits	14.30	17.26
-Interest Accrued on Unclaimed Fixed Deposits	7.69	3.43
Other liabilities	7,232.05	6,556.05
Interest accrued but not due	11.80	8.54
<b>Total</b>	<b>15,260.38</b>	<b>13,373.52</b>
<b>PROVISIONS</b>		
Wealth Tax	25.49	40.20
Proposed Dividends On Equity Shares	1,901.77	1,426.33
Tax on Dividends	266.72	186.40
<b>Total</b>	<b>2,193.98</b>	<b>1,652.93</b>

\* The figure reflects the position as of 31st March 2005. The actual amount to be transferred to the Investor Education & Protection Fund in this respect shall be determined on the due date.

**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

**SCHEDULE 9 : OTHER INCOME**

	2004-2005 (Rs in lacs)	2003-2004 (Rs in lacs)
Income on Investments (other than trade) (Tax Deducted at Source Rs. 0.30 lacs, Previous Year Rs. 2.30 lacs)	2.20	72.23
Dividend Income (Tax Deducted at Source Rs. Nil, Previous Year Nil)	1.08	0.11
Gain on Exchange (net)	53.86	179.47
Profit on sale of assets (net)	543.06	100.89
Profit on sale of Investment	46.25	-
Recovery from Bad debts previously written off	7.00	1.05
Sundry Credit Balances Written back (net)	15.73	12.67
Rent Income (Tax deducted at source Rs. 13.77 lacs, Previous Year Nil)	66.49	-
Provision for Doubtful Debts written back	3.81	-
Miscellaneous Income	128.33	424.84
<b>Total</b>	<b>867.81</b>	<b>791.26</b>

**SCHEDULE 10 : MANUFACTURING EXPENSES**

	2004-2005 (Rs in lacs)	2003-2004 (Rs in lacs)
Raw Materials Consumed	17,079.22	13,960.76
Stores and Spares	1,290.38	1,310.30
Repairs and Maintenance		
Machinery	603.55	704.92
Building	32.87	45.83
Others	85.52	76.28
	721.94	827.03
Power, Fuel and Water	7,513.14	7,017.43
Other Manufacturing Expenses	1,471.62	827.01
Packing Expenses	1,362.03	1,123.25
Operating Expenses for Services	1,301.79	1,072.92
<b>Total</b>	<b>30,740.12</b>	<b>26,138.70</b>





**SCHEDULE 11 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**

	<b>2004-2005</b> <b>(Rs in lacs)</b>	2003-2004 <b>(Rs in lacs)</b>
Salaries, Wages and Bonus	5,185.52	5,081.72
Contribution to PF and other funds	792.96	905.83
Staff Welfare	240.95	222.07
Provision for Leave Encashment	8.66	55.92
<b>Total</b>	<b>6,228.09</b>	<b>6,265.54</b>

**SCHEDULE 12 : ADMINISTRATIVE AND MISCELLANEOUS EXPENSES**

	<b>2004-2005</b> <b>(Rs in lacs)</b>	2003-2004 <b>(Rs in lacs)</b>
Travelling & Conveyance	567.38	746.91
Rent and Lease Rent	402.37	326.97
Rates and Taxes	56.28	76.71
Insurance	400.07	370.68
Commission to Directors	168.73	110.71
Communication Expenses	174.64	188.29
Legal & Professional Expenses	670.09	594.00
Miscellaneous Expenses	679.30	736.65
Loss on sale of Investment (net)	-	400.44
Deferred Revenue Expenditure Written Off	418.72	446.73
Sundry Balances Written Of (net)	6.27	-
Donation	17.55	2.57
Bad Debts / Irrecoverable amounts written off (net)	4.91	0.34
Provision for Doubtful Debts	1.68	26.05
<b>Total</b>	<b>3,567.99</b>	<b>4,027.05</b>



**SCHEDULE 13 : SELLING AND DISTRIBUTION EXPENSES**

	<b>2004-2005</b> <b>(Rs in lacs)</b>	2003-2004 <b>(Rs in lacs)</b>
Cash Discount	366.85	375.63
Freight and Forwarding	2,774.63	2,424.48
Commission on Sales	1,951.67	1,743.25
Rent on Godowns	39.00	4.73
<b>Total</b>	<b>5,132.15</b>	<b>4,548.09</b>

**SCHEDULE 14 : (INCREASE)/ DECREASE IN STOCK**

	<b>2004-2005</b> <b>(Rs in lacs)</b>	2003-2004 <b>(Rs in lacs)</b>
<b>Opening stock</b>		
Finished Goods	1,477.04	949.30
Trading Goods	0.86	-
Stock in Process	263.03	147.14
	<b>1,740.93</b>	<b>1,096.44</b>
<b>Closing stock</b>		
Finished Goods	1,013.33	1,477.04
Trading Goods	-	0.86
Stock in Process	584.82	263.03
	<b>1,598.15</b>	<b>1,740.93</b>
(Increase)/Decrease in Stock	<b>142.78</b>	<b>(644.49)</b>

**SCHEDULE 15 : FINANCIAL EXPENSES**

	<b>2004-2005</b> <b>(Rs in lacs)</b>	2003-2004 <b>(Rs in lacs)</b>
Interest - Fixed Loans	900.96	1,167.06
- Others	246.33	242.11
Other financial Charges	550.03	197.55
	<b>1,697.32</b>	<b>1,606.72</b>
Less : Interest Income	56.59	81.44
<b>Total</b>	<b>1,640.73</b>	<b>1,525.28</b>



**SCHEDULE 16 : NOTES TO CONSOLIDATED ACCOUNTS**

**1 CONSOLIDATION**

a GHCL Limited together with its subsidiaries Colwell & Salmon Communications, Inc., USA ( C & S USA), in which the Parent Company has 83.33% holding and Colwell & Salmon Communications India Limited, India ( C & S India) in which the Parent Company has 100% holding ( Collectively “ The Group”) is engaged in the business of manufacturing and trading of Inorganic Chemicals, Textile, IT enabled services and Wind Power Generation.

b The consolidated financial statements of the Group have been combined on a line- by- line basis by adding together book value of like items of assets, liabilities, Income and Expenses in accordance with Accounting Standard ( AS - 21 ) on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

The subsidiary companies considered in the Consolidated Financial Statements are:

NAME OF THE COMPANY	COUNTRY OF INCORPORATION	% OF HOLDING
C & S India	INDIA	100.00
C & S USA	USA	83.33

c All material inter- company balances and transactions are eliminated on consolidation.

d The excess of costs to the Company of its investments in the subsidiary Company over its share of the equity of the Subsidiary company, at the date on which the investments in the subsidiary Company are made, is recognised as “ goodwill” being an asset in the consolidated financial statements. The net assets value considered for the purpose of goodwill in respect of tranches of investment is the value as at the date of the first investment made on 12 , December 2002.

e Minority interest in the net assets of the Subsidiary consists of the amount of equity attributable to the minority shareholders at the date on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the date of investments, profit or loss attributable to the equity.

f Revenue and expenses are translated into Indian Rupee at average rate for the year. Fixed Assets, Share Capital and Reserves as on 1.4.2002 are translated into Indian Rupee on the prevailing rate on the same day. All other Assets and Liabilities are translated into Indian Rupee at the rate of exchange prevailing as at Balance Sheet Date.

g Consolidated Financial Statements have been prepared using uniform accounting policies for all major transactions and other events in similar circumstances except that:

1. The Parent and the US subsidiary write off cost of software over different number of years and also provide depreciation at / by different rate basis.
2. The Parent and the US subsidiary follow their local Guidelines for accounting the leases.

It is not practicable to adopt uniform accounting policies in respect of the aforesaid items. The Proportion of these items vis-à-vis results/ assets of The Group is not significant.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**General**

The accounts are prepared under the historical cost convention using the accrual method.

**Revenue Recognition**

Sales represent value of goods sold and revenue from trade related activities as reduced by quality claims and rebates but includes excise duty, sales tax and export benefits under DFRC Scheme.

Export Services, Export Software and Domestic Software represents the value of the services rendered during the period.

**Fixed Assets and Depreciation**

Fixed Assets are stated at cost net of cost less depreciation and impairment loss, if any. Depreciation is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Intangible assets are depreciated on straight line basis over the useful life of the assets not exceeding ten years. Continuous process plant as defined therein have been taken on technical assessment and depreciation is provided accordingly. Assets acquired during the year whose cost does not exceed Rs. 5000 are fully depreciated in the year of acquisition. Depreciation is adjusted in subsequent periods to allocate the assets's revised carrying amount after the recognition of an impairment loss, if any, on systematic basis over its remaining life.

Exchange differences adjusted to the cost of assets are depreciated equally over the balance useful life of the assets. Assets of insignificant value are charged to revenue. Leases relating to land are amortized equally over the period of lease. Leased mines are depreciated over the estimated useful life of the mine or lease period , which ever is lower.

**Impairment of Assets**

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an assets's net selling price or its value in use. Value in use is the present value of estimated future cashflow expected to arise from the continuing use of an asset and from its disposal at the end of its useful life . Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties, less the costs of disposal.

**Investments**

Investments are classified into current and long term investments. Current investments are stated at the lower of cost or fair value. Long term investments are stated at cost. A provision for diminution is made to recognize a decline, other than temporary, in the value of long term investments.



**Inventories**

Inventories comprising Raw Materials and Finished Goods are stated at cost or net realizable value, whichever is lower. Cost of Raw Materials is arrived at mainly on weighted average basis for every month. The cost of Finished Goods include material cost, cost of conversion, depreciation & other overheads to the extent applicable & excise duty.

Stock-in-process is valued at cost determined by taking material cost, labour charges, and direct expenses.

Stores and Spares are stated at cost less provision, if any, for obsolescence. The cost of Loose Tools is written off equally over three years.

Machinery Spares which are used only in connection with an item of Fixed Asset and whose use is not regular in nature are written off over the estimated useful life of the relevant asset.

**Foreign Currency Transactions**

Foreign exchange transactions are recorded at the rate prevailing on the date of transaction and exchange differences are dealt with in the Profit & Loss Account.

All exchange differences other than those relating to acquisition of Fixed Assets, arising from foreign currency transactions (including booking of forward contracts) remaining unsettled at year end are translated at the rates prevailing at the end of the year and are dealt with in the Profit & Loss Account.

Profit/Loss arising out of cancellation of forward contracts are taken to revenue in the year of cancellation.

Foreign Currency Accounts with the Banks are converted at the rates prevailing on the date of the Balance Sheet.

Exchange difference relating to borrowings for acquisition of fixed assets is adjusted to the cost of fixed assets.

**Retirement Benefits**

The Company makes regular contribution to provident fund and superannuation fund and these contributions are charged to the Profit & Loss Account.

The Company has taken a Group Gratuity Policy for payment of gratuities to the retiring employees and the premiums paid to LIC is charged to the Profit & Loss Account. In case of seasonal workers of Salt Division, provision for gratuity has been taken as per actuarial valuation.

Leave encashment benefit is charged to the Profit & Loss Account on the basis of an actuarial valuation.

**Deferred Revenue Expenditure**

In terms of the Accounting Standard 26 - Intangible Assets, the carrying amounts of Deferred Revenue Expenditure are amortized/written off over the number of years in which the benefits are expected to accrue to the company (as per the accounting policy followed by the company)

However, expenditure incurred during the year, on such items which do not meet the definition of Intangible Assets as per the said standard are charged off to the Profit & Loss Account except VRS expenditure which is amortized as per the existing Accounting Policy.

**Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortization/ Depreciation.

On amalgamation the excess of consideration over the value of net assets acquired is treated as goodwill arising on amalgamation and is written off over a period of 5 years.

**Borrowing Cost**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of cost of such assets. The capitalization rate is the weighted average of the borrowing cost applicable to the borrowings of the company that are outstanding during the period. All other borrowing costs are recognized as an expense in the period in which they are incurred.

**Leases**

Leases entered into before 1st April 2001 are treated as operating leases and lease rental paid are charged to profit and loss account. Leases entered into on or after 1st April, 2001 are accounted in accordance with AS - 19 Leases issued by Institute of Chartered Accountants of India.

**Taxation**

Income - tax expenses comprises current tax and deferred tax charge or credit. The deferred tax assets and liabilities are calculated by applying tax rates and tax laws that have been enacted at the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation (due to amalgamation) under tax laws, are recognized, only if there is virtual certainty of its realization, supported by convincing evidence. Deferred tax assets on account of other timing difference are recognized only to the extent there is a reasonable certainty of its realization. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to re-assess realization.

**Provisions and Contingent Liabilities**

In accordance with Accounting Standard -29, Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company.



	As at 31.03.2005 (Rs in lacs)	As at 31.03.2004 (Rs in lacs)
3. (a) Estimated value of contracts remaining to be executed on Capital Account and not provided for.	<b>3674.12</b>	1212.80
(b) Contingent Liabilities :		
(i) Guarantees issued by banks	<b>457.70</b>	593.68
(ii) Letters of Credit	<b>1247.75</b>	1564.15
(iii) Bills discounted with banks (Since realised)	<b>306.31</b>	949.33
(iv) Claims against the Company not acknowledged as debts		
- Income Tax and Wealth Tax	<b>53.95</b>	479.58
- Sales Tax	<b>1476.68</b>	213.10
- Excise matters	<b>58.53</b>	114.14
- Other claims	<b>507.71</b>	273.24
(v) Corporate guarantee & Standby Letters of Credit to Bank on behalf of subsidiaries of the company	<b>1063.77</b>	1146.26
(The contingent Liabilities in respect of bank guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material Liabilities will arise.)		
(c) Export Obligation on duty free imports	<b>50.28</b>	206.06
4. An amount of Rs 450 lacs paid as an advance towards purchase of salt fields at Vedaranyam (Tamil Nadu) and secured by Bank Guarantee for equivalent amount had been apportioned to respective assets during the previous year as per the valuation report in view of the interim injunctions issued by Hon'ble High Court, Madras, in favour of the Company and amortized / depreciated in the books of account. Applications for transfer of lease rights / extension of lease period has been filed with appropriate authorities but the permission is yet to be granted by the authorities. Since the Bank Guarantee was expiring on 31st March, the company has encashed the same on 28 March 2005 and the funds received on encashment have been kept in a separate Bank Fixed Deposit as mentioned in the exparte order issued by the sole arbitrator subject to further order on the application received from DCW Ltd.		
5. Provision for taxation includes Rs. 3.00 lacs (previous year Rs. 3.00 lacs) for wealth tax and current income tax Rs 889.21 lacs (previous year : Rs. 1617.02) and deferred tax of Rs. 1,191.89 lacs (previous year : reversal of Rs.(581.05) Lacs).		
6. i) Fixed Deposits include Rs. 3.39 lacs (Previous year Rs. 14.62 lacs) due within one year. ii) Interest Free Sales Tax Loan include Rs. 14.48 lacs (Previous Year Rs.14.48 lacs) due within one year.		
7. Sundry Debtors, Creditors and Loans and Advances are subject to confirmation and consequential adjustment, if any.		
8. Unquoted investments include equity in Collwel & Salmon Communications (India) Limited in subsidiary company which are of long term strategic value. In the opinion of the management, the current diminution in the value of this investment is temporary in nature considering the inherent value and nature of investee's business proposal and hence no provision is required.		
9. The company has acquired 1,666.6 fully paid up equity shares representing 83.33% of fully paid up equity share capital of Colwell & Salmon Communications, Inc, USA (C&S) for a consideration of US \$ 2.50 million (Rs 1189.13 lac) upto the Balance Sheet date vide Stock Purchase Agreement dated October 31, 2002. The company has, subsequently entered into a Memorandum of Understanding dated November 1, 2004 with Mr Wayne P Colwell, the owner of the remaining 333.4 fully paid up equity shares representing 16.67% of fully paid up equity share capital of C&S, to acquire his entire shareholding of 16.67% in C&S.		
10. In accordance with the requirement of AS-29 on Operating Leases, outstanding receivable on operating lease rentals beyond one year Rs 70.37 Lacs (Previous year -Nil)		
11. Borrowing costs capitalized during the year Rs.55.36 Lacs (Previous year Rs.3.05 lacs)		
12. The value of Finished Goods includes excise duty not paid Rs.26.33 lacs (previous year Rs.112.12 lacs). This has however, no impact on the profit for the year. The value of Lignite at mines includes royalty of Rs 8.37 Lacs on the closing stock.		
13. Loans & Advances includes Rs. 0.34 Lacs advance against accommodation paid to Director and relative of Director (previous Year - Rs.0.34 Lacs). Maximum outstanding balance during the year Rs.0.34 lacs (Previous Year -Rs0.34 lacs) and lease rent includes Rs. 1.27 lacs paid to the Director (Previous Year - Rs. 1.14 lacs) and 1.18 lacs paid to relative of the Director( Previous year -1.31 lacs).		
14. <b>Segment</b> Due to the diversified business activities undertaken by the company during the year, the company has categorised the business under the Primary segments viz., Inorganic Chemicals (Soda Ash, Refined Salt and Detergents), Textiles (Yarn and Cloth) and Others (IT enabled and Wind Mill generation). Secondary segment reporting is performed on the basis of the geographical location of customers. The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note of Group significant accounting policies. Income and direct expenses in relation to segments is categorized based on items that are individually identifiable to the segment, while the balance cost are categorized as unallocated corporate expenses. Fixed assets used in the segment are directly reported under the segment to the extent identifiable. Geographical revenue are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognised i.e. India & Rest of World.		


**BUSINESS SEGMENT**

Rs. Lacs

	Inorganic Chemicals		Textiles		Others		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
<b>SEGMENT REVENUE</b>								
External Revenue	41,690.27	36,491.58	10,302.65	8,914.25	4,571.09	4,237.97	<b>56,564.01</b>	<b>49,643.80</b>
Wind Mill Generation					81.87		<b>81.87</b>	
Total	41,690.27	36,491.58	10,302.65	8,914.25	4,652.96	4,237.97	56,645.88	49,643.80
Less : Inter Segment Revenue					(81.87)		<b>(81.87)</b>	
<b>Total Revenue</b>	<b>41,690.27</b>	<b>36,491.58</b>	<b>10,302.65</b>	<b>8,914.25</b>	<b>4,571.09</b>	<b>4,237.97</b>	<b>56,564.01</b>	<b>49,643.80</b>
<b>SEGMENT RESULT</b>	<b>6,976.87</b>	<b>5,876.31</b>	<b>600.57</b>	<b>25.32</b>	<b>(1,285.14)</b>	<b>(1,332.43)</b>	<b>6,292.30</b>	<b>4,569.20</b>
Unallocated Corporate Expenses.							<b>431.53</b>	<b>746.00</b>
Operating Profit	<b>6,976.87</b>	<b>5,876.31</b>	<b>600.57</b>	<b>25.32</b>	<b>(1,285.14)</b>	<b>(1,332.43)</b>	<b>5,860.77</b>	<b>3,823.20</b>
Interest Expenses							<b>1,640.73</b>	<b>1,525.28</b>
Interest Income								
Other Income	161.59	404.33	585.19	288.26	62.53	30.07	<b>809.31</b>	<b>722.66</b>
Unallocated Corporate Other Income							<b>58.50</b>	<b>68.60</b>
<b>Total Other Income</b>	<b>161.59</b>	<b>404.33</b>	<b>585.19</b>	<b>288.26</b>	<b>62.53</b>	<b>30.07</b>	<b>867.81</b>	<b>791.26</b>
Profit from Ordinary Activities	7,138.46	6,280.64	1,185.76	313.58	(1,222.61)	(1,302.36)	<b>5,087.85</b>	<b>3,089.18</b>
Extraordinary Items								
<b>NET PROFIT BEFORE TAXES</b>	<b>7,138.46</b>	<b>6,280.64</b>	<b>1,185.76</b>	<b>313.58</b>	<b>(1,222.61)</b>	<b>(1,302.36)</b>	<b>5,087.85</b>	<b>3,089.18</b>
<b>OTHER INFORMATION</b>								
Segment Assets	43,222.14	39,545.76	17,058.84	15,080.03	6,100.06	2,794.24	<b>66,381.04</b>	<b>57,420.03</b>
Unallocated Corporate . Assets							<b>2,338.14</b>	<b>1,410.67</b>
<b>Total Assets</b>	<b>43,222.14</b>	<b>39,545.76</b>	<b>17,058.84</b>	<b>15,080.03</b>	<b>6,100.06</b>	<b>2,794.24</b>	<b>68,719.18</b>	<b>58,830.70</b>
Segment Liabilities	15,771.55	13,941.16	3,288.58	2,400.50	1,633.63	2,423.54	<b>20,693.76</b>	<b>18,765.20</b>
Unallocated Corporate . Liabilities							<b>26,071.27</b>	<b>19,213.39</b>
<b>Total Liabilities</b>	<b>15,771.55</b>	<b>13,941.16</b>	<b>3,288.58</b>	<b>2,400.50</b>	<b>1,633.63</b>	<b>2,423.54</b>	<b>46,765.03</b>	<b>37,978.59</b>
Capital Expenditure	2,502.51	2,147.05	1,295.77	2,012.00	4,336.35	539.13	<b>8,134.63</b>	<b>4,698.18</b>
Unallocated Capital Expenditure							<b>37.34</b>	<b>28.64</b>
<b>Total Capital Expenditure</b>	<b>2,502.51</b>	<b>2,147.05</b>	<b>1,295.77</b>	<b>2,012.00</b>	<b>4,336.35</b>	<b>539.13</b>	<b>8,171.97</b>	<b>4,726.82</b>
Depreciation	2,925.83	2,808.05	407.63	303.72	485.90	416.46	<b>3,819.36</b>	<b>3,528.23</b>
Unallocated Depreciation							<b>56.09</b>	<b>58.89</b>
<b>Total Depreciation</b>	<b>2,925.83</b>	<b>2,808.05</b>	<b>407.63</b>	<b>303.72</b>	<b>485.90</b>	<b>416.46</b>	<b>3,875.45</b>	<b>3,587.12</b>
Non-Cash Expenses other than								
Deferred Rev Expenses	164.66	177.38	113.55	89.54	71.87	69.68	<b>350.08</b>	<b>336.60</b>
Unallocated Non Cash Expenses other than								
Depreciation							<b>68.64</b>	<b>110.13</b>
<b>Total Non Cash Expenses other than</b>								
<b>Depreciation</b>	<b>164.66</b>	<b>177.38</b>	<b>113.55</b>	<b>89.54</b>	<b>71.87</b>	<b>69.68</b>	<b>418.72</b>	<b>446.73</b>

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**GEOGRAPHICAL SEGMENT**

Particulars	India		Rest of The World		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Segment Revenue	42,722.57	40,409.71	13,841.44	9,234.09	<b>56,564.01</b>	<b>49,643.80</b>
Carrying Costs of Segment Assets	38,980.55	35,522.82	311.65	326.50	<b>39,292.20</b>	<b>35,849.32</b>
Additions to Fixed Assets and Intangible Assets	8,099.74	4,629.66	72.23	97.16	<b>8,171.97</b>	<b>4,726.82</b>

**15. Related Party Transactions:**

- a Key Management Personnel:
  - P Sampath, Joint Managing Director
  - R S Jalan, Joint Managing Director
  - Tej Malhotra, Executive Director - Operations
  - N S Ramachandran, Executive Director - Marketing
  - K K Ahuja, Executive Director - HR -till 30, June 2004
- b Relative of Key Management Personnel:
  - Vidyavati Malhotra, m/o Tej Malhotra



**Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March, 2005**

Sl. No	Type of Transactions	Key Management Personnel	Relative of Key Management Personnel
1	Purchase or Sale of Fixed Assets	0.79 (0)	
2	Leasing & Hire purchase transactions	1.27 (1.14)	1.18 (1.31)
3	Remuneration	221.77 (181.60)	
4	Balances as on 31st March, 2004 - Advances for Rental Accommodation	0.18 (0.18)	0.16 (0.16)

Figures in brackets relate to year ended 31st March, 2004

**16. Deferred Tax**

	As at 01.04.2004	Current Year Charge/(Credit)	As at 31.03.2005
a) Deferred tax liability on account of:			
i) Depreciation	6,770.35	728.54	7,498.89
ii) Others			
Deferred Revenue Expenditure	302.95	300.31	603.26
	<b>7,073.30</b>	<b>1,028.85</b>	<b>8,102.15</b>
b) Deferred tax assets on account of:			
i) Employee Benefit	4.38	35.44	39.82
ii) State & Central Taxes & Cess	58.64	(1.54)	57.10
iii) U/S 481 of USA	44.34	27.07	71.41
	<b>107.36</b>	<b>60.97</b>	<b>168.33</b>
<b>TOTAL</b>	<b>6,965.94</b>	<b>967.88</b>	<b>7,933.82</b>

Current year charge/(credit) includes Rs. 224.01 Lacs on account of prior year adjustment

	2004-2005	2003-2004
17. Managerial Remuneration		
(a) Wholetime Directors		
Salaries	72.41	74.32
Contribution to Provident and Superannuation funds	13.35	13.51
Perquisites	19.63	18.86
Gratuity & Leave encashment	2.38	2.41
Commission	114.00	72.50
(b) Other Directors		
Sitting Fees	3.75	3.40
Commission	54.73	38.21

**18. Deferred Revenue Expenditure:**

Deferred Revenue Expenditure comprises of carrying amount as on 01.04.2003 as per the Transitional Provisions of AS26 on Intangible assets issued by Institute of Chartered Accountants of India.

**a Voluntary Retirement Scheme expenses**

Compensation under the company's voluntary retirement scheme paid/provided is being written off equally over a period of three years.

**b Salt Pans**

Expenditure on the development of salt pans is being written off over a period of five years.

**c Software**

Expenditure on purchased software and IT related expenses is being written off over a period of three years.

**d Infrastructure and others**

Expenditure on development of external infrastructure and others is being written off over a period of five years.

**e Prepayment Premium**

Premium paid on Prepayment of Term Loans/Non-Convertible Debenture is charged off over the tenure of the loan proportion to the principle amount outstanding.

**19. Intangible Assets**

Intangible Asset comprises of expenditure incurred during the year on the items meeting the definition as per the provisions of AS 26 issued by Institute of Chartered Accountants of India.

**a Salt Pans**

Expenditure on the development of salt pans is being written off over a period of five years.

**b Software**

Expenditure on purchased software and IT related expenses is being written off over a period of three years.

**c Goodwill**

Goodwill is amortised over a period of five years.



**20. Impairment of Assets**

In pursuance of Accounting Standard 28- Impairment of assets (AS -28) issued by the institute of Chartered Accountants of India , The company has reviewed its carrying cost of assets with value in use(determined based on future earnings)/ net selling price (determined based on a valuation) . Based on such review, management is of the view that in the current financial year impairment of assets is not considered necessary.

**21. Earnings per Share**

	<b>2004-05</b>	2003-04
Earnings per Share has been computed as under:		
a Profit after Taxation & Minority Interest (Rs. in Lakhs)	<b>3015.42</b>	2116.83
(Less)/ Add : Prior Period Adjustments	<b>14.52</b>	(288.93)
	<b>3,029.94</b>	1,827.90
b Number of Equity shares outstanding	<b>95,088,411</b>	95,088,411
c Earnings per share (Face value of Rs 10/- per share) (a) / (b) (Basic and diluted)	<b>3.19</b>	1.92

22. Sundry Creditors includes Rs.97.07 lacs due to small scale industrial undertakings (Previous Year Rs. 9.98 Lacs) to the extent identified from the records of the company as outstanding for more than 30 days from the following parties.

	Rs. Lacs
- Anand paper products	2.26
- Gowtham Paper Products	5.55
- Nathan Industries	0.05
- Madura Polymers	1.32
- Sri siam straps	0.29
- Thirumalai cartons	2.25
- Hindustan Paper Products	0.47
- Balaji Packagings	1.33
- GB Raja textiles	78.57
- Anjeela Tex P Ltd	4.98



23. Previous year's figures have been regrouped and reclassified wherever necessary.

As per our report attached  
For and on behalf of  
Jayantilal Thakkar & Co.  
Chartered Accountants

For and on behalf of  
Rahul Gautam Divan & Associates  
Chartered Accountants

Sanjay Dalmia  
Chairman

P. Sampath  
Joint Managing Director

(C. V. Thakker)  
Partner

(Rahul Divan)  
Partner

Dr B.C.Jain  
Director

R. S. Jalan  
Joint Managing Director

H.H.Faruqi  
Director

J. P. Mehrotra  
Sr. General Manager (Finance) &  
Company Secretary

Place : Camp Delhi  
Date : 23<sup>rd</sup> June, 2005

Place : New Delhi  
Date : 23<sup>rd</sup> June, 2005

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**GHCL Limited**

Registered Office : GHCL HOUSE, Opp. Punjabi Hall  
Navrangpura, Ahmedabad-380 009

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**ATTENDANCE SLIP**

I hereby record my presence at the Twenty Second ANNUAL GENERAL MEETING of the Company at the Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad - 380 006 (Opp. Gajjar Hall).

SIGNATURE OF THE ATTENDING MEMBER / PROXY

- Notes:
1. Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand over at entrance duly signed.
  2. Shareholder/Proxy holder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meetings.

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**GHCL Limited**

Registered Office : GHCL HOUSE, Opp. Punjabi Hall  
Navrangpura, Ahmedabad-380 009

**PROXY FORM**

I/We ..... of .....  
..... in the district of ..... being a Member/Members of  
the above named Company, hereby appoint ..... of  
..... in the District of ..... or failing him ..... of  
..... in the District of ..... as my/our Proxy to  
attend and vote for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company,  
to be held on Friday, the 2<sup>nd</sup> day of September, 2005 and at any adjournment thereof.

Signed this ..... day of ..... 2005

Reference Folio:/DPID/CL.ID

No. of Shares: .....

Signature

Affix  
Re. 1  
Revenue  
stamp

**Note:** The Proxy Form should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of Meeting.