

# **GHCL Limited**



**Annual Report 2003-2004**



**BOARD OF DIRECTORS****Sanjay Dalmia****Anurag Dalmia****D Rajagopalan****P K Pujari****P D Vaghela****B N Makhija** Nominee (IDBI)**H H Faruqi** Nominee (LIC)**Dr. B C Jain****Naresh Chandra****S H Ruparell****Mahesh Kheria** (Alt. to S H Ruparell)**S K Mukherjee****P Sampath** Joint Managing Director**R S Jalan** Joint Managing Director**Tej Malhotra** Wholetime Director**N S Ramachandran** Wholetime Director**J P Mehrotra****Sr. General Manager (Finance) &  
Company Secretary****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 & Salmon Communications Inc, USA

**AUDITORS**

Jayantilal Thakkar & Co.  
Rahul Gautam Divan & 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

**ITES**

C-39, Sector - 58  
Noida

**BANKERS**

State Bank of Travancore  
Bank of Maharashtra  
Canara Bank  
State Bank of Hyderabad  
Dena Bank  
Development Credit Bank  
IDBI Bank Limited  
Standard Chartered Bank  
Central Bank of India  
HDFC Bank Limited

**SHARE TRANSFER AGENTS**

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

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**NOTICE**

NOTICE is hereby given that the 21<sup>st</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 24<sup>th</sup> day of September, 2004 at 10.30 AM to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2004, 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 on the Equity Shares.
3. To appoint a Director in place of Mr. Sanjay Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anurag Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. R S Jalan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Naresh Chandra, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Mr. S H Ruparell, who retires by rotation and being eligible, offers himself for re-appointment.
8. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration and to pass with or without modification(s), the following resolution as

**Special Resolution:**

"RESOLVED that pursuant to the provisions of Section 224 A and other applicable provisions, if any, of the Companies Act, 1956, M/s Rahul Gautam Divan & Associates, Chartered Accountants and M/s Jayantilal Thakkar & Co., Chartered Accountants the retiring Auditors of the Company, be and are hereby re-appointed as Joint Auditors of the Company to hold office from the conclusion of this Annual General Meeting of the Company till the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors, plus out of pocket expenses as may be incurred by them for the performance of their duties".

**SPECIAL BUSINESS**

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

"RESOLVED that Mr. P K Pujari, who was appointed by the Board of Directors as an Additional Director, 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. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED that Mr. P D Vaghela, who was appointed by the Board of Directors as an Additional Director, 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.
11. 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 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereof, consent of the Company be and is hereby accorded to the revision in terms of remuneration payable to Whole time Directors including Managing Director (s) as set out in the Explanatory Statement annexed hereto."

"RESOLVED FURTHER that all other terms and conditions of Uniform Remuneration Package pertaining to perquisites, commission, special allowances, retiral benefits and other benefits as approved by the members in their meeting held on 20<sup>th</sup> September 2000 will remain unchanged."

"RESOLVED FURTHER that Board of Directors of the Company be and is hereby authorised to alter, amend or vary the terms and conditions of uniform remuneration package as approved by the members so as to such alteration, amendment or variation will be in line with the approved uniform remuneration package and Schedule XIII of the Companies Act, 1956 or any amendment made thereto."
12. To consider and if thought fit to pass with or without modification(s) following resolution as **Ordinary Resolution:**

"RESOLVED that Company do hereby accord its consent under Section 293 (1)(a) and other applicable provisions of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of Company, the immovable properties in



respect of Soda Ash Division of the Company situated at village limits of Sutrapada, Taluka Veraval, District Junagadh in the state of Gujarat for securing term loan of U S \$ 4.5 million (U S Dollar 4.5 million) obtained from Cooperative Centrale, Raiffeisen – Boerenleenbank B.A., Singapore together with interest, costs, charges, expenses and any other money payable by the Company”

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

“Resolved that Company do hereby accord its consent under Section 293 (1)(a) and other applicable provisions of the Companies Act, 1956, to mortgaging by way of second charge and/or charging by the Board of Directors of Company, the immovable properties in respect of Soda Ash Division of the Company situated at village limits of Sutrapada Taluka Veraval, District Junagadh in the state of Gujarat for securing working capital limits of Rs.115 crores from:

Sr. No.	Name of the Bank	Rs. in Crores
1.	State Bank of Travancore	<b>32.00</b>
2.	Bank of Maharashtra	<b>20.00</b>
3.	Canara Bank	<b>18.00</b>
4.	State Bank of Hyderabad	<b>15.90</b>
5.	Dena Bank, Ashram Road	<b>10.60</b>
6.	Development Credit Bank	<b>10.00</b>
7.	IDBI Bank Ltd.	<b>8.50</b>
	<b>Total</b>	<b>115.00</b>

together with interest, costs, charges, expenses and any other money payable by the Company.

**Registered Office:**

GHCL HOUSE  
Opp. Punjabi Hall  
Navrangpura, Ahmedabad - 380009  
Dated: 30<sup>th</sup> July 2004

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

Bhuvneshwar Mishra  
Dy. Company Secretary

**NOTES**

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. Proxies in order to be effective must be deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday the 16<sup>th</sup> September 2004 to Friday the 24<sup>th</sup> September 2004 (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 16<sup>th</sup> September 2004. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as on 15<sup>th</sup> September 2004 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 Ordinary Business at Item No. 8 and Special Business in respect of Item Nos. 9 to 13 of the accompanying Notice as required by Section 173(2) of The Companies Act, 1956, is annexed hereto. The relevant details of directors seeking appointment or reappointment under Items No. 3 to 7 and 9 to 10, as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges are also annexed.
- (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 are 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 31<sup>st</sup> March 1997, 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 2004 pursuant to provisions of Section 205 A of the Companies Act, 1956. Members who have not encashed their dividend warrant (s) for the financial year ended 31<sup>st</sup> March 1997 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 31<sup>st</sup> March 1997 only those claims which are received by ISRL on or before 31<sup>st</sup> August 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. However, shareholders holding shares in the physical form who wish to avail ECS facility, may authorise the Company with their ECS Mandate in the prescribed form, enclosed with this Annual Report. Request for payment of dividend through ECS for the year 2003-04 should be lodged on or before 16<sup>th</sup> September 2004 to "Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup - West, Mumbai - 400 078.

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

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

Since more than 25% of the subscribed capital of the Company is held by the Financial institutions and Gujarat Industrial Investment Corporation Limited (GIIC), a Government Company, re-appointment of the auditors is to be made by a Special Resolution as required u/s 224A of The Companies Act, 1956. None of the Directors are interested or concerned in this resolution.

Your Directors commend the resolution for your approval.

##### **Item No. 9**

Mr. P K Pujari, was appointed by the Board of Directors as an Additional Director at its meeting held on 28<sup>th</sup> January 2004 as per Article 131 and 138 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. P K Pujari 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. P K Pujari for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. P K Pujari, IAS, aged about 47 years is Secretary of Economic Affairs with Government of Gujarat. He has very wide areas of experience in Public Administration and Public Policy. Mr. P K Pujari represents GIIC Ltd. and his association with the Board will be of immense value to the overall progress of the Company.

Your Directors commend the resolution for your approval. Save and except Mr. P K Pujari, none of the Directors of the Company is interested in the resolution.

##### **Item No. 10**

Mr. P D Vaghela, was appointed by the Board of Directors as an Additional Director at its meeting held on 28<sup>th</sup> January 2004 as per Article 131 and 138 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. P D Vaghela 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. P D Vaghela for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. P D Vaghela, IAS, aged about 44 years is Managing Director of Gujarat Industrial Investment Corporation Ltd. (GIIC). He has very wide areas of experience in Public Administration and Public Policy. Mr. P D Vaghela represents GIIC Ltd. and his association with the Board will be of immense value to the overall progress of the Company.

Your Directors commend the resolution for your approval. Save and except Mr. P D Vaghela, none of the Directors of the Company is interested in the resolution.

##### **Item No. 11**

The members in the AGM held on 20<sup>th</sup> September 2000 approved a Uniform Remuneration Package in accordance with which the Whole time Directors including Managing Director (s) of the Company were being compensated for their services. Keeping in view the increased responsibilities and challenges and in order to ensure that annual increment are in line with practice in the industry it is propose to increase the limit of basic salary payable to Whole time Directors including Managing Director (s) as follows.

- (a) Salary payable to each Whole time Director including Managing Director (s) shall not exceed Rs. 2,00,000/ per month.
- (b) All other terms and conditions pertaining to perquisites, commission, special allowances, retiral benefits and other miscellaneous benefits shall remain unchanged."

Yours Directors commend the resolutions for your approval. All the Whole time Directors are concerned or interested in the said resolution.



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

**Item No. 12**

As a security for External Commercial Borrowing (ECB) availed from the Cooperative Centrale, Raiffeisen – Boerenleenbank B.A. ( Rabo Bank – Singapore), the Company is required to create first pari passu mortgage of its immovable properties in respect of Soda Ash division of the Company situated at village limits of Sutrapada, Taluka Veraval, District Junagadh in the state of Gujarat. As per the requirement of Section 293 (1) (a) of the Companies Act, 1956, members approval is being sought for creating the pari passu charge in favour of Cooperative Centrale, Raiffeisen – Boerenleenbank B.A. ( Rabo Bank – Singapore), subject to other approves, if any. Board recommends the resolution for approval. None of the Directors of the Company is interested in this resolution.

**Item No. 13**

As a security to obtain working capital facilities of Rs.115 crores from the various banks as mentioned in the resolution, the Company is required to create second charge on immovable properties in respect of Soda Ash Division situated at village limits of Sutrapada Taluka Veraval, District Junagadh in the state of Gujarat.

As per the requirement of Section 293(1) (a) of the Companies Act, 1956, members approval is being sought for creating second charge in favour of State Bank of Travancore, Bank of Maharashtra, Canara Bank, State Bank of Hyderabad, Dena Bank, Development Credit Bank Ltd. and IDBI bank Ltd. subject to compliance of other formalities/approvals, if any.

Board recommends the resolution for approval. None of the Directors of the Company is interested in this resolution.

**Registered Office:**

GHCL HOUSE  
Opp. Punjabi Hall  
Navrangpura, Ahmedabad – 380009  
Dated: 30<sup>th</sup> July 2004

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

Bhuvneshwar Mishra  
Dy. Company Secretary

**Appointment or reappointment of Directors:**

**Details of the Directors seeking appointment /reappointment in 21st Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)**

Name of Directors	Mr. Sanjay Dalmia	Mr. Anurag Dalmia	Mr. R S Jalan	Mr. Naresh Chandra	Mr. S H Ruparell	Mr. P K Pujari	Mr. P D Vaghela
Date of Birth	17-Mar-44	11-May-56	10-Oct-57	11-Feb-35	5-Dec-31	12-Jun-57	22-Sep-60
Date of Appointment	20-Oct-83	19-Apr-86	21-Sep-01	28-Nov-97	10-Oct-91	28-Jan-04	28-Jan-04
Expertise in specific functional areas	Industrialist	Industrialist	Finance & Accounts, Textile industry	Industrialist	Solicitors Authorised to administer oaths	Public Administration and Public Policy	Public Administration and Public Policy
Qualification	Graduate and Ex - Member of Rajya Sabha	Graduate	FCA	Post Graduates	MBE	IAS	IAS
List of Companies in which outside Directorship held as on 31st March 2004	1. Bharat Explosives Ltd.	1. Bharat Explosives Ltd. 2. PHD Chamber of Commerce and Industry	1. Bharat Explosives Limited	1. Hercules Hoists Ltd.	NIL	1. Gujarat Mahindra Tractor Limited 2. Gujarat State Financial Services Limited, Ahmedabad 3. Gujarat State Petroleum Corporation Limited 4. Gujarat Small Scale Industries Corporation 5. Gujarat State Energy Generation Ltd. 6. Gujarat State Road Transport Corporation 7. Gujarat State Petronet Ltd. 8. Gujarat Informatics Limited 9. Gujarat Growth Centres 10. Development Corporation Ahmedabad Mehsana Toll Road Company Limited 11. Gujarat Toll Road Company Ltd. 12. Vadodara Halol Toll Road Company Ltd. 13. Gujarat State Investments Ltd. 14. Gujarat State Financial Services	1. Gujarat State Machine Tools Corporation Limited 2. Gujarat Venture Finance Limited 3. Gujarat Lease Financing Ltd. 4. Gujarat Alkalies & Chemicals Ltd. 5. Gujarat Chemical Port Terminals Ltd. 6. Welspun Gujarat Sthal Rohrens Limited 7. Gujarat State Investment Ltd. 8. Infrastructure Finance Company Gujarat Ltd. 9. Gujarat Ports Infrastructure and Devpt. Co. Ltd. 10. Gujarat Alcock Ashdown Ltd.
Chairman /Member of the Committee of the Boards of the other Companies on which he is a Director as on 31st March 2004	NA	NA	Member - Audit Committee & Grievance Committee	NA	NA	Member - Audit Committee - GSFS, GSPC, GSEG, GSIC, GIL, AMTRL, VHTRL	NA





## DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the 21<sup>st</sup> Annual Report of the Company together with Audited Accounts of the Company for the year ended 31st March 2004.

### OPERATIONAL RESULTS

The summary of the financial performance for the year ended 31<sup>st</sup> March 2004 as compared to the previous year is as under. However, the figures are not comparable as the current year incorporates full year results of the ITES division whereas the previous year has only two months of operations of the ITES division.

	(Rs. Crores)	
	2003-04	2002-03
Net Sales /Income	<b>469.51</b>	434.82
Gross profit before interest and depreciation	<b>89.02</b>	99.72
Interest	<b>14.76</b>	20.00
Profit before depreciation and preliminary expenses - (cash profit)	<b>74.26</b>	79.72
Depreciation/Preliminary Expenses written off	<b>32.95</b>	29.52
Profit before Tax	<b>41.31</b>	50.20
Provision For Taxation - Current	<b>16.20</b>	3.57
Provision For Taxation - Deferred	<b>(4.98)</b>	0.32
Profit after tax	<b>30.09</b>	46.31
Balance brought forward from last year	<b>69.56</b>	63.29
Arrears of Depreciation/Deferred Revenue		
Expenditure for earlier years	<b>(3.13)</b>	-
Excess/(short) provision for tax for earlier year	<b>0.23</b>	(0.06)
Debenture redemption Reserve written back	-	9.85
Balance absorbed on Amalgamation	-	(16.74)
Amount available for Appropriation	<b>96.75</b>	102.65
<b>Appropriations :</b>		
Debenture Redemption Reserve	<b>1.58</b>	3.42
General Reserve	<b>1.50</b>	5.00
Proposed Dividend	<b>14.26</b>	21.87
Tax on Dividend	<b>1.87</b>	2.80
Balance Carried To Balance Sheet	<b>77.54</b>	69.56

### PERFORMANCE

With the continuous pressure of competition in the Soda Ash domestic market due to additional supplies by a local producer in the market alongwith import threat due to constant rupee appreciation and also the impact of increasing coke prices (which have increased by more than three times), your Company has been successful in partially setting off the negative factors due to continued effort on cost reduction, lowering of interest cost and improved performance of the yarn division after modernisation.

### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.1.50 per Equity Share for the year ended 31<sup>st</sup> March 2004. The pay out ratio including dividend tax (total dividend as % of profit after tax) for the year ended 31<sup>st</sup> March 2004 is 54% (previous year 53%)

### FINANCE

The Company has progressively retired high cost debt and

partly negotiated others at lower interest rates and converted rupee term loans into foreign currency loans. During the year, most of the fund requirements were met through internal generation except for the funding of modernisation for the Yarn division under the TUF scheme eligible for concessional rate of interest. Consequently interest charges were substantially lower at Rs. 14.76 Crores as against Rs. 20.00 Crores in the previous year.

Your Company has contributed a sum of Rs. 79.17 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.15.67 lacs towards unclaimed dividend/unclaimed deposits alongwith interest thereon.

### FIXED DEPOSITS

Your Company discontinued inviting, accepting and renewing of fixed deposits effective from 24<sup>th</sup> September 2002. In respect of existing deposits that were due for repayment during the year Rs. 17.26 lacs remained unclaimed as on 31st March 2004, out of which Rs. 0.91 lacs have since been repaid till 31st May 2004.

### 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 31st March 2004.

### 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.

### VOLUNTARY DELISTING OF THE EQUITY SHARES FROM DELHI AND CALCUTTA STOCK EXCHANGES.

The equity shares of your Company are listed at The Stock Exchange, Ahmedabad, The Stock Exchange Mumbai, The Calcutta Stock Exchange Association Ltd. (CSE) and The National Stock Exchange of India Limited (NSE). The annual listing fees for the year 2003-04 has been paid to all these Stock Exchanges. The application for voluntarily delisting were duly filed with Delhi Stock Exchange (DSE) and Calcutta Stock Exchange (CSE) simultaneously. The equity shares of the Company has been delisted from Delhi Stock Exchange with effect from 26th December 2003, and the delisting confirmation from Calcutta Stock Exchange is awaited.

**SUBSIDIARIES**

During the year, your Company has subscribed 6,99,950 equity shares of Rs. 10/- each fully paid up of M/s Colwell and Salmon Communications (India) Limited, wholly owned subsidiary of the Company and also acquired 140 shares of Colwell & Salmon Communications Inc., USA under a share purchase agreement thereby increasing its holding to 76%. 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 31<sup>st</sup> March 2004 are annexed herewith.

**CHANGE OF NAME**

As approved by the members in the last Annual General Meeting held on 26<sup>th</sup> September 2003, the name of your Company has been changed to "GHCL Limited" with effect from 21<sup>st</sup> November 2003.

**DIRECTORS**

During the year Board has appointed Mr. P K Pujari, IAS, Secretary Economic Affairs, Government of Gujarat and Mr. P D Vaghela, IAS, Managing Director of Gujarat Industrial Investment Corporation Ltd. (GIIC Ltd) in place of Mr. Hasmukh Adhia and Mr. Chaman Kumar respectively, in its meeting held on 28<sup>th</sup> January 2004 as the nominee of GIIC Limited. 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. P K Pujari and Mr. P D Vaghela as Directors of the Company. Directors recommend their appointment at the ensuing Annual General Meeting.

The Directors place on record their appreciation for the services rendered by Mr. Chaman Kumar and Mr. Hasmukh Adhia during their tenure as members of the Board. The Directors also welcomed Mr. P K Pujari and Mr. P D Vaghela to the Board. Mr. K K Ahuja, Executive Director (HR) resigned from the services of the Company w.e.f. 30<sup>th</sup> June 2004 and the Directors place on record their appreciation for the services rendered by him.

Mr. Sanjay Dalmia, Mr. Anurag Dalmia, Mr. R S Jalan, Mr. Naresh Chandra and Mr. S H Ruparell 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 2003-04. The Cost Auditors' Report for 2003-04 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 31<sup>st</sup> March 2004 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 31<sup>st</sup> March 2004, the applicable accounting standards have been followed.
- appropriate accounting policies have been selected and applied them consistently and judgements 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 31<sup>st</sup> March 2004 and of the profit of the Company for the financial year ended 31<sup>st</sup> March 2004;
- 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 31<sup>st</sup> March 2004 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 : 30th July 2004  
Place : New Delhi

**SANJAY DALMIA**  
Chairman of the meeting



**ANNEXURE I TO THE DIRECTORS' REPORT**

**A. CONSERVATION OF ENERGY**

**a) Energy Conservation Measures Taken**

1. System for uniform mixing of fuel i.e. coal & lignite, commissioned, resulting in 0.25% benefit in Boiler efficiency.
2. Distiller flash tank lowering of all three streams done, about 5% reduction is achieved in distiller steam consumption.
3. Energy Management Cell is in action for making GHCL a most efficient Company.

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

Schemes planned under this head are:

1. Expansion of Briquetting Plant Capacity to utilise rejected Coke Breeze.
2. Boiler efficiency improvement by fire side fuel additives.
3. Bicarb filtration system improvement for reduction in Bicarb moisture.

**B. POWER & FUEL CONSUMED**

	<u>2003- 04</u>	<u>2002- 03</u>
<b>1. Electricity</b>		
(i) Purchased Units (lacs kwh)	<b>326.79</b>	244.64
Total amount (Rs.lacs)	<b>1452.32</b>	1136.38
Rate per Unit (Rs.)	<b>4.44</b>	4.65
(ii) Own Generation		
(a) Through DG		
Units (lacs kwh)	<b>10.23</b>	22.68
Units per ltr of Diesel Oil	<b>3.91</b>	3.35
Cost per unit (Rs.)	<b>4.28</b>	5.90
(b) Through TG		
Units (lacs kwh)	<b>1065.75</b>	1092.54
Cost per unit (Rs.)	<b>1.15</b>	1.11
<b>2 Coal</b>		
Quantity (MT.)	<b>96317.00</b>	117797.00
Total cost (Rs. lacs)	<b>2056.67</b>	2965.57
Average Rate (Rs/MT)	<b>2135.31</b>	2517.53
<b>3 Lignite</b>		
Quantity (MT.)	<b>186368.00</b>	166089.00
Total cost (Rs. lacs)	<b>2483.42</b>	2171.25
Average Rate (Rs/MT)	<b>1332.54</b>	1307.28

**4 Consumption per Unit of Production**

	Electricity(Kwh/MT)		Coal(MT/MT)		Lignite (MT/MT)	
Production(MT)	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Soda Ash	<b>212.70</b>	217.44	<b>0.19</b>	0.23	<b>0.37</b>	0.33
Salt	<b>32.51</b>	31.29	-	-	-	-
Yarn	<b>6.37</b>	5.28	-	-	-	-

**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 – 2003-04**

**Overview**

GHCL Limited is one of the leading manufacturers of Soda Ash in the country and it also has commitments in other businesses i.e. Yarn, Edible Salt and ITES.

**Soda Ash**

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 the 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 of GHCL. It accounts for 76% of total turnover of the Company for the financial year 2003-04. GHCL Limited started manufacturing and marketing Soda Ash in 1988. The capacity of GHCL plant is 5.25 lakh tons per year.

The Annual capacity of Soda Ash in India is 2.6 million tons while the current annual domestic requirement is about 2.1 million tons. While 95% of the Soda Ash production capacity is located in the State of Gujarat, it is consumed throughout the country.

Soda Ash Industry employs about 1.5 lakh people directly and another 1.0 lakh indirectly. The Capital employed in the Industry is approximately Rs. 4500 crores while the replacement value is in excess of Rs. 6000 crores. The current production capacity has been built over a period of 60 years.

The annual turnover of the industry is about Rs.1500 crores and the State and the Central Governments together benefit in excess of Rs.450 crores by way of Excise Duty, Sales Tax, Royalty on Limestone, Cess and Salt etc. The major raw-materials are limestone and salt. Gujarat produces 40 lakh tons of salt and 36 lakh tons of limestone every year.

India is the 3<sup>rd</sup> largest producer of Soda Ash in the world. China and USA are No.1 and 2 respectively. The Indian Soda Ash is comparative in cost and quality with the best European Soda Ash. All over the world Soda Ash is produced by the Synthetic route as opposed to natural Soda Ash available in US, Kenya, Turkey etc.

The growth in domestic demand of Soda Ash in the year 2003-04 as compared to the previous year is 6%. It is our understanding that the growth in demand between 2004-05 and 2009-10 could be in line with growth in GDP.

The import duty on Soda Ash currently is 20% and over the last 3 years Soda Ash import has been more than 1.0 lakh tons per year; in 2003-04 it was 1.2 lakh tons. The Indian Soda Ash industry exports about 2.5 lakh tons of Soda Ash per year which is about 17% to 18% of domestic sale of the Indian manufacturers and about 10% of the installed capacity.

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 at 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 23% (entirely in the form of DSA), Chemicals 17%, Silicates 10% and through trade 10%.

GHCL capacity is 20% of the industry capacity and in terms of capacity utilization it is 96%, which also is the highest capacity utilization in the industry.

On a SWOT analysis the Industry has the following inherent strength and opportunities i.e. the Industry was established more than 60 years back and would be 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 in India is comparable to the best European producers and efficient Chinese units. Indian Soda Ash Industry is responsive to the changes in the market place and has the ability to withstand the import pressure and competing in the export markets.

The industry offers opportunity for growth as the demand growth in the next 7 years is expected to be more than 5% and the capacity can be expanded without increasing the total labour cost. Further, the Indian product is well accepted in the export markets.

However, the industry has the following weaknesses/threats. Gujarat accounts for 95% of the production capacity. The cost of transport to markets in South, East and North is high as compared to the ocean freights to South and East where product is imported from China, US or Kenya. Natural Soda Ash from US whose production cost is almost half of the Synthetic Soda Ash is available in the market. The Labour cost is high as compared to the plants in Western Europe. Availability of Infrastructure in terms of power cost/power availability and interest cost are high as compared to the manufacture in Western Europe, US and China, partially offset by ocean freight and cost of material handling at both ends.

The threat of reduction in import duty from 20% 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 does not exist. In addition imposition of duty like Entry Tax by the Tamilnadu Government continues.

GHCL has been able to maintain its market share through a combination of market development, Customer Satisfaction initiatives and creation of a marketing structure which is responsive 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 focussed. With the introduction of the Value Added Tax (VAT) GHCL proposes to re-align the supply-chain management with a view to enhance the quality of customer servicing and reducing the cost of servicing the customers. Further, the company, which is currently one of the lowest cost Soda Ash producer in the country with captive supplies of salt and limestone will remain competitive in the market place alongwith minimizing risk of duty reduction with its backward integration into lignite, initiation projects with cross functional teams on cost reduction and steps towards manpower optimization.

**Yarn**

The current installed capacity in the organized sector at the end of year 2003-04 is 34.1 million spindles. The total number of spinning mills are 1783.

Provisional figures available indicate that total Spun yarn production in the country has shown a reduction from 3081.35 million kgs in 2002-03 to 3051.07 million kgs in 2003-04. The Non-cotton yarn production continues to improve to 340.94 million



kgs in 2003-04 from 319.62 million kgs in the previous year. Also, Blended yarn has improved to 589.08 million kgs from 584.61 million kgs in the same period. However, Cotton yarn, which forms a major component of Spun yarn production has recorded a decline with figures of 2121.05 million kgs from 2177.16 million kgs.

The year 2003-04 witnessed an overall good performance by the Spinning sector. After initially starting well, spinning mills were faced with poor yarn demand and high raw cotton prices in the second quarter of the year, but their overall performance was boosted by the spectacular improvement in demand and prices of yarn after September 2003.

The Textile industry is at the threshold of new opportunities due to the prospects of the abolition of Quotas from January 2005. The quota free regime will allow spinning mills to enter quota markets or increase sales in quota markets where they are already present. However, there would be increased competition, both from Indian and other country suppliers, and there will be a need to supply excellent quality yarn at competitive prices. There is likely to be an increase in demand for yarn within India itself as the production and export of finished goods from India is expected to increase. Also, new markets will need to be developed as the textile production centers of finished goods are likely to relocate to newer areas like China, Vietnam, Pakistan etc, besides India.

The Government has been announcing various measures in the past few years to make the environment conducive for the Indian Textile industry to adapt to the changing scenario and prepare for the post MFA regime. The Technological Upgradation Fund ( TUF) continues to be a major scheme used by the Industry to modernize and enhance capacity within the Textile value chain by availing of concessional finance. The budget 2004-05 included a special mention for the textile sector whereby the Textile Cenvat chain has been broken and all manufacturers have the option to either take the Exemption or the CENVAT route at their choice. This measure is likely to give a fillip to the industry as prices of fabric are expected to come down and make the finished goods more competitive.

The current financial year has started under tough market conditions with subdued market demand and falling yarn prices. The excess bookings by international buyers in the last quarter of the year 2003-04 in view of sudden rise in prices coupled with less finished goods orders from USA are the main causes attributed to the current international market conditions. The domestic market is facing slightly better demand and prices as compared to exports and efforts are on to push sales with institutional customers in the domestic market to ensure better unit value realisation.

The third phase of modernization at Paravai unit is under progress and shall be completed during this year. The completion of this phase will make this unit a fully 'state of art' manufacturing facility of medium and fine counts of 100% cotton combed yarns. In the constant endeavour to reduce costs, focus has been given to utilising Wind Power as an alternate source and the division is setting up a 3.6 MW wind power project, which should be operational by end September.

**Refined Salt**

The units manufacturing refined salt are predominantly situated at Gujarat, which is the largest producer of salt followed by Tamil Nadu and Rajasthan. The Refined salt installed capacity in the country is approximately 25.0 Lakh tons and the current average capacity utilisation is 50% only, due to over supply position in the market.

The Refined salt units produced both edible grade salt for human consumption and industrial grade salt for industrial use.

The edible grade salt is sold in various brands as well as in bulk. The Industrial grade salt is used in textiles, dyes and detergent industries.

The Company's two refineries are located in the State of Tamil Nadu and have a capacity of 2.0 Lakh 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 captive raw salt field at Vedaranium produces over 1.50 Lakh tons salt per annum and meets the requirement of the refinery unit fully which is critical to the success of the refinery unit in terms of cost and quality.

The Company's salt operations are primarily focusing on the southern states considering its locational advantage and control on raw salt availability and is expected to become the leader both in edible as well as industrial segment.

The main competitors to the Company's operations are the low cost salt producers from Tamil Nadu and Gujarat. The monsoon plays a critical role in the salt production which is critical for keeping the cost of production low.

The growth in branded salt consumption is marginal around population growth. Further being the OEM producers for other brands, the margins will remain under pressure. The efforts are on to reduce cost of production to increase margins.

**IT Enabled Services**

As per NASSCOM estimates, the Indian ITES/BPO industry grew by about 54% in 2003-04 to reach to US\$ 3.6 billion. This segment is also providing a major employment opportunity and created additional employment for around 74,400 personnel during the year. The progress and growth in this segment continues to be good and will maintain the momentum. US and UK continued to dominate the sector accounting for over 90% of total revenue.

Currently, Indian ITES/BPO market is segmented along the lines of customer care, telesales/telemarketing, finance & accounting, tax return processing, HR, payment services, administration and content development.

Historically the new service lines have been difficult to penetrate by Indian vendors from an offshore base. But increased customer willingness to disaggregate service lines in order to maximize offshore leverage and also Indian vendors building onshore skills, augur well for India's foray into these service lines. Most leading third party players are further consolidating their leadership position by investing in infrastructure, quality standards, employee training, and re-skilling, expanding service line/process offerings, investing in marketing front-ends and personnel with domain and process skills. The industry also expanded its radar of opportunities to new service lines e.g. package software implementation, System Integration and R&D engineering as new horizon for robust growth.

Due to the arrival of more and more MNCs and other local third party players, the competition is increasing day by day. Pricing pressure will continue going forward. Vendors with strong and deep domain knowledge and productivity will be able to sustain in the changed scenario due to economic pressure on US-based companies, multi-national supplier firms, size of higher deals and qualified suppliers competing heavily.

The ITES unit of the company is also feeling pressure on business as well as pricing due to competition from other vendors. Efforts are continuously on to integrate the business transition from the Colwell & Salmon Communications, Inc USA in terms of technology and delivery. In order to enhance its top line the unit is trying to penetrate into UK and Australian market by getting



into niche area of B2B lead generation and market research and further into BPO – Healthcare which is one of the big opportunities.

**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. The Company is in the process of integrating its database to an Executive Information System (EIS) for efficient decision making.

**Financial/Operational Performance**

The Financials for the year 2003-04 are not strictly comparable with that of the previous year as the current year incorporates full year results of the ITES division whereas the previous year has only two months of operations of the ITES division. A summarised operational performance is given below:

	Rs. in crores	
	2003-04	2002-03
Net Sales/Income	469.51	434.82
Operating Profit (PBDIT)	89.02	99.72
Interest	14.76	20.00
Depreciation	32.95	29.52
Profit Before Tax	41.31	50.20
Tax	11.22	3.89
Net Profit	30.09	46.31

With the continuous pressure of competition in the Soda Ash domestic market due to additional supplies by a local producer in the market alongwith import threat due to constant rupee appreciation and also the impact of increasing coke prices (which have increased by more than three times), your Company has been successful in partially setting off the negative factors due to continued effort on cost reduction, lowering of interest cost and improved performance of the yarn division after modernisation.

The Company has a debt-equity ratio of 0.52 as at 31st March 2004 which provides it leverage to raise further resources from the market. The process of restructuring debt and timely repayment of debts has helped in the reduction of the Company’s interest burden in the year 2003-04. The book value of the Company’s share is Rs. 22.96.

**Human Resource Development**

As on March 31, 2004, the Company had 1642 employees who have different academic background and diverse work experience to their credit.

GHCL, a people-centric performing organisation understand the importance of leveraging the competencies of its human resource to retain the competitive edge and remain responsive to the customer needs has empowered entrepreneurial spirits in the organisation and is working towards creating innovating mindsets and continuously seeking newer and better ways of doing business. We have integrated all aspects of human resources

management - human resource policies, systems and procedures with the overall corporate objectives and framework of the Company with an aim to enhance organizational effectiveness, retaining talent and sustaining the personal motivation levels. The Company culture and organizational values are nurtured through effective communication and clear understanding of employees as individuals. The Company uses competency mapping and organisation need analysis to manage individual potential and organisation development. We strongly believe that a highly skilled, motivated and empowered manpower is the key to the organization’s success.

The organisation has continuous employee development programmes covering the entire knowledge-value-skill spectrum. During the year 2003-04, the employees benefited from about 100 training programmes, which covered various issues in management, technology, safety, health and environment.

GHCL is in the process of improving the existing performance management system with the help of a reputed HR Consulting organisation. The new system will focus more on the variable pay structure based on individual, department and organisation performance. In order to streamline the HR policies, systems and procedures, the Human Resource Policy Manual was thoroughly revised this year. An Executive Handbook, which is ready reckoner giving details of employment terms, perquisites and benefits has also been released and distributed.

GHCL is also in the process of rationalisation of the manpower by restructuring the activities to make it more effective and competent and cost effective.

**Social Responsibility and Community Development Programmes**

The Company has been actively engaged in the overall growth and development of the plant area. Over the years, the plant of GHCL has become the crux of economic progress of the Sutrapada Village and the nearby villages because of the welfare measures initiated by the Company. During 2003 either the Company had directly undertaken welfare projects or extended financial assistance to the programmes initiated by NGOs and other social organizations. During the drought season the Company arranged drinking water for all the surrounding villages as well as contributed to creating a lake at the Badalpara village. In addition we helped the construction of the school at Ajotha and supplied benches, sitting mats, computers etc to the nearby schools. We also organized medical camps for blood donation, polio eradication, de-addiction, etc. regularly in and around Sutrapada. We also supplied materials to needy agencies to help laying roads in the area, constructed a community hall, provided tricycles to handicapped persons, donated street lights to Sutrapada village and a computer to the Gram Panchayat.

**Cautionary Statement:**

Management Discussion and Analysis report contains statement describing the Company’s objectives, estimates, projections, expectation may be “forward looking statements” within the meaning of applicable corporate laws and regulations. Actual results could differ materially from those expressed or implied. 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 in which the 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 assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis, of any subsequent developments, information or events.


**CORPORATE GOVERNANCE FOR THE YEAR 2003-04**

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

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

The objective of Corporate Governance is to create wealth for shareholders on a sustainable and long-term basis by judicious, effective and efficient use of available resources. Corporate Governance reveals a set of relationship between a Company's management, its Board, its shareholders and other stakeholders. The Board represent the shareholders' interest in maintaining and growing a successful business, including optimising long – term returns and are accountable for determining that the Company and its subsidiaries are managed in such a way as to achieve the defined objective.

The Company firmly believes in the values of transparency, professionalism and accountability in its dealings with its customers, suppliers, lenders, employees, and shareholders and with every individual who comes in contact with the Company.

**2. Board of Directors**

The Board of Directors meet regularly to review strategic, operational and financial matters and has a formal schedule of matters reserved to its for decision. It approves the interim and preliminary financial statements, the annual financial plan, significant contracts and capital investment. Wherever appropriate the Board delegates its authority to Committees of Directors like Operations Committee, Investment Committee, Investors Grievance Committee, Remuneration Committee and Audit Committee. Information is supplied to the Board in advance of meetings and the Chairman ensures that all Directors are properly briefed on the matters being discussed.

As on 31<sup>st</sup> March 2004, the 16 member Board comprised of eleven Non – Executive Directors and Institutional Nominees and five Whole time Directors. Executive responsibility is split between two Sr. Executive Directors and three Executive Directors.

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

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49) across all the Companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors. Dates of the Board Meetings are fixed in advance and agenda papers are circulated to the Directors at least seven days before the meeting. During the year four Board Meetings were held on 30<sup>th</sup> April 2003, 1<sup>st</sup> August 2003, 28<sup>th</sup> October 2003 and 28<sup>th</sup> January 2004.

The composition and category of Directors and the attendance at the Board Meetings during the year and the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other companies are given below: -

Sl. No.	Name of Directors	Category of Directorship	No. of Board meetings attended	Attendance at last AGM	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	Mr. Sanjay Dalmia	Promoter	4	Yes	1	-	-
2	Mr. Anurag Dalmia	Promoter	4	Yes	2	-	-
3	Mr. D Rajagopalan*	Promoter – Nominee GIIC	2	No	10	-	-
4	Mr. P K Pujari* (w.e.f. 28.1.2004)	Promoter – Nominee GIIC	1	-	14	-	7
5	Mr. Hasmukh Adhia (upto 28 .1.2004)	Promoter – Nominee GIIC	3	Yes	NA	NA	NA
6	Mr. P D Vaghela* (w.e.f. 28.1.2004)	Promoter – Nominee GIIC	-	-	10	-	NA
7	Mr. Chaman Kumar (w.e.f. 1.8.2003 to 28.1.2004)	Promoter – Nominee GIIC	3	No	NA	NA	NA
8	Mr. C L Meena (upto 1.8.2003)	Promoter – Nominee GIIC	1	-	NA	NA	NA



Sl. No.	Name of Directors	Category of Directorship	No. of Board meetings attended	Attendance at last AGM	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
9	Mr. B N Makhija*	Independent Nominee – IDBI	4	Yes	2	-	1
10	Mr. H H Faruqi*	Independent Nominee – LIC	4	Yes	-	-	-
11	Dr. B C Jain*	Independent	4	Yes	2	-	1
12	Mr. S H Ruparell	Promoter Nominee	-	-	-	-	-
13	Mr. Mahesh Kheria	Alt to Mr. S H Ruparell	4	No	-	-	-
14	Mr. Naresh Chandra	Promoter Nominee	3	No	1	-	-
15	Mr. S K Mukherjee	Director	4	No	2	-	-
16	Mr. P Sampath	Sr. Executive Director	4	Yes	1	-	1
17	Mr. R S Jalan	Sr. Executive Director	4	Yes	1	-	2
18	Mr. Tej Malhotra	Executive Director	4	Yes	-	-	-
19	Mr. N S Ramachandran	Executive Director	4	No	-	-	-
20	Mr. K K Ahuja	Executive Director	4	No	1	-	-

\* Denotes Independent Director

\*\* Excludes Directorships in Indian Private Limited Companies and Foreign companies

### 3. Committees of the Board

#### (i) Audit Committee

The 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 Meetings 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 prepares plans for the internal audit. It discusses the areas to be covered by the internal audit and recommends the scope of audit for the year.

Dates of the Audit Committee Meetings 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 *seven times* during the financial year ended 31<sup>st</sup> March 2004, on the following dates: 22<sup>nd</sup> April 2003, 8<sup>th</sup> July 2003, 31<sup>st</sup> July 2003, 26<sup>th</sup> September 2003, 7<sup>th</sup> October 2003, 21<sup>st</sup> October 2003 and 27<sup>th</sup> January 2004. The necessary quorum was present at the Meeting.

#### Composition

The Audit Committee of the Board comprises of Non - Executive Independent Directors and the attendance of the members at the meetings were as follows:-

Sl No.	Name	Status	No. of Meetings attended
1.	Dr. B C Jain	Chairman	7
2.	Mr. H H Faruqi	Member	7
3.	Mr. P K Pujari	Member	-
4	Mr. Chaman Kumar ( w.e.f. 1.8.2003 to 28.1.2004)	Member	4
5.	Mr. C L Meena (upto 1.8.2003)	Member	3

The Statutory Auditors, Cost Auditors, Sr. Executive Directors, Company Secretary, and Head of Internal Audit were invitees to the Audit Committee Meetings.

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 accounting and financial matter and he was present in the Annual General Meeting held on 26<sup>th</sup> September 2003 to answer the queries of shareholders.

#### (ii) Remuneration Committee:

The Company has constituted a Remuneration Committee as early as 1995. The Remuneration Committee sets the overall policy on remuneration and the other terms of employment of Executive and Non 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 determines remuneration package 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 Meetings are fixed in advance and agenda papers are circulated to the Directors in advance.

During the financial year ended 31st March 2004, the Remuneration Committee has met on 30<sup>th</sup> April 2003.

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

Name	Status	No. of Meetings attended
Mr. Sanjay Dalmia	Chairman	1
Dr. B C Jain	Member	1
Mr. H H Faruqi	Member	1

**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 2003-04 are given below:

Non-Wholtime Directors (in Rupees)		
Name	Sitting Fees	Commission $\Theta$
Mr. Sanjay Dalmia	30,000	3,50,000
Mr. Anurag Dalmia	20,000	3,50,000
Mr. D Rajagopalan $\P$	10,000	3,50,000
Mr. Has Mukh Adhia $\P$	15,000	2,88,798
Mr. P K Pujari $\P$	5,000	61,202
Mr. P D Vaghela $\P$	-	60,246
Mr. Chaman Kumar $\P$	40,000	1,73,087
Mr. C L Meena $\P$	20,000	1,16,667
Mr. B N Makhija $\dagger$	20,000	3,50,000
Mr. H H Faruqi $\dagger$	65,000	3,50,000
Dr. B C Jain	65,000	3,50,000
Mr. S H Ruparell		
(Alt. Mr. Mahesh Kheria	20,000	3,50,000
Mr. Naresh Chandra	15,000	3,50,000
Mr. S K Mukherjee*	15,000	3,21,311
<b>TOTAL</b>	<b>3,40,000</b>	<b>38,21,311</b>

\* For Part of the year

$\P$  Sitting Fees and Commission paid to GIIC Ltd.

$\dagger$  Commission paid to Institutions they represent.

$\Theta$  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.

*Wholetime Directors*

Name	(in Rupees)	
	Salary and other perquisites#	Commission
Mr. S K Mukherjee*	2,00,580	1,50,000
Mr. P Sampath	24,29,042	23,50,000
Mr. R S Jalan	23,42,178	23,50,000
Mr. Tej Malhotra	15,90,814	11,00,000
Mr. N S Ramachandran	22,07,669	7,00,000
Mr. K K Ahuja	22,02,950	6,00,000

# Includes Company's contribution to Provident Fund and Superannuation Fund.

Mr. S K Mukherjee was Managing Director for a period of one month i.e. upto 30<sup>th</sup> April 2003 during financial year 2003-04

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 working 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. The composition of Committee is as under: During the year 2003, twenty-four meetings of the Committee were held.

S. No	Name	Status
1	Mr. Anurag Dalmia	Chairman
2	Mr. Mahesh Kheria	Member
3	Mr. P Sampath	Member
4	Mr. N S Ramachandran	Member
5	Mr. K K Ahuja	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 34 shareholders complaints from Stock Exchanges and SEBI which inter – alia include non-receipts of dividend, 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 2003-04 are given below:**

S. No.	Type of Complaints	Total No. of Complaints received during 2003-04	Total No. of Complaints resolved during 2003-04	Total No. of Complaints pending as on 31.3.2004
1	Non – receipt of dividend	696	696	0
2	Share transfer including D mat request.	194	194	0
3	Non receipt of Annual Report	64	64	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. J P Mehrotra, Sr. General Manager (Finance) & Company Secretary and Mr. Pramod Mehendale, Intime Spectrum Registry Limited (Share Transfer Registrar of the Company) are the compliance officers of the Company.

**(iv) Banking & Operations Committee**

In order to expedite the day to day functioning and exercise of delegated power of the Board a Committee for Share Transfer, Banking & Operations (renamed as “Bankings & Operation 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 is as under:

S.No	Name	Status
1	Mr. Sanjay Dalmia	Member
2	Mr. Anurag Dalmia	Member
3	Dr. B C Jain	Member
4	Mr. P Sampath	Member
5	Mr. N S Ramachandran	Member
6	Mr. K K Ahuja	Member

**6. 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 hereinbelow

Financial Year	Date	Time	Venue
2002-2003	26.09.2003	11.00 AM	The Institutions of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad – 380 006
2001-2002	24.09.2002	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad – 380 006
2000-2001	21.09.2001	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad – 380 006

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

Financial Year	Date	Time	Venue
2000-2001	08.12.2000	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad - 380 006
1999-2000	03.12.1999	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad - 380 006

**(b) Special Resolutions:**

Following Special Resolutions were passed at the last Annual General Meeting:

- i) Appointment of Auditors
  - ii) Delisting of shares.
  - iii) Change of Name of the Company
- (c) All Special Resolutions moved at the last AGM were unanimously passed on a show of hands by the shareholders present at the meeting and no resolution was put to vote by postal ballot.
- (d) No Special resolution was put through postal ballot last year.

**7. Disclosures:**

**Disclosure on materially significant related party transactions**

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

**8. Means of communications:**

- The Company regularly intimates unaudited and audited financial results to the Stock Exchanges immediately after the Board takes these on record. These financial results are published during the year under review in leading national newspapers namely, Business Standard (all editions) and Jansatta (Regional language) (Gujarat edition) and also displayed at ([http:// www.ghclindia.com](http://www.ghclindia.com)) and simultaneously posted through Electronic Data Information Filing and Retrieval (EDIFAR) on website [www.sebidifar.nic.in](http://www.sebidifar.nic.in).
- Management Discussion and Analysis Report forms part of this Annual Report

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

Annual General Meeting: 24 September 2004 at 10.30 AM  
 Place Time and Venue: at “The Institution of Engineers (India)”. Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad - 380 006 (opp. Gajjar Hall)

As required under Clause 49 VI (A), particulars of Directors seeking appointment/reappointment are given in the Notice to the Annual General Meeting to be held on 24 September 2004.

**Financial Calendar (Tentative)**

- Financial Reporting for the quarter ending June 30,2004 End of July 2004.
- Financial Reporting for the quarter ending Sep. 30,2004 End of October 2004
- Financial Reporting for the quarter ending Dec. 31,2004 End of January 2005



- Financial Reporting for the quarter ending March 31,2005	End of April 2005
- Annual General Meeting for the year ending March 31, 2005	August/September 2005
Book Closure dates	16 September 2004 to 24 September 2004 (both days inclusive)
Dividend Payment	Final Dividend @15%(i.e. Rs.1.50 per share will be paid on or after 28 September 2004, if approved by the members in the ensuing Annual General Meeting

**Listing on Stock Exchanges**

Equity shares of the Company are listed at following Stock Exchanges:

1. The Stock Exchange Mumbai  
Phiroze Jeejeebhoy, Dalal Street  
Mumbai – 400 001
2. The Stock Exchange, Ahmedabad,  
Kamdhenu Complex, Opp. Sahajanand College,  
Ahmedabad. – 380 015
3. National Stock Exchange of India Limited  
“Exchange Plaza”, Bandra – Kurla Complex, Bandra (E),  
Mumbai – 400 051

Listing Fees	Listing fee for all the aforesaid Stock Exchanges for the financial year 2003 -04 have been paid.
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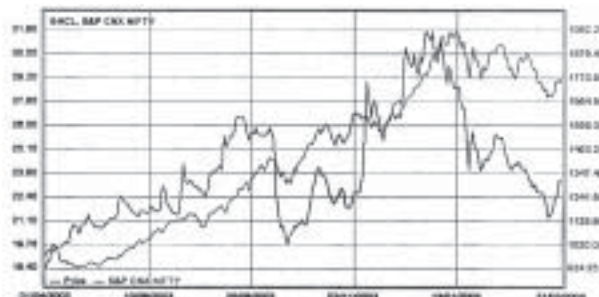
**Stock Code:**

National Stock Exchange of India Limited	GHCL
The Stock Exchange, Mumbai	
- Physical	500171
- Dematerialised	INE 539 A01019

**MONTHWISE STOCK MARKET DATA (BSE & NSE) RELATING TO EQUITY SHARES OF THE COMPANY FOR THE PERIOD 1<sup>ST</sup> APRIL 2003 TO 31<sup>ST</sup> MARCH 2004.**

Period April 2003 to March 2004	Share Traded (Nos.)		Price Per Share (Rs.)			
	BSE	NSE	Total	High	Low	Average
April	2,96365	8,44,071	11,40,436	21.20	18.30	21.90
May	5,95,358	12,35,487	18,30,845	23.15	20.55	23.25
June	7,49,784	14,79,443	22,29,227	23.90	21.00	23.70
July	17,22,715	33,63,044	50,85,759	25.30	21.40	25.00
August	30,99,767	67,73,865	98,73,632	28.40	23.70	28.40
September	13,88,025	36,34,270	50,22,295	26.90	19.50	26.90
October	12,61,881	30,51,380	43,13,261	25.20	20.70	25.30
November	36,68,797	70,47,468	1,07,16,265	30.65	22.00	30.45
December	41,01,466	79,94,972	1,20,96,438	34.45	26.75	34.25
January	17,46,613	29,59,319	47,05,932	32.50	23.80	32.50
February	5,20,681	13,58,311	18,78,992	26.75	23.50	27.00
March	7,17,042	11,81,892	18,98,934	24.45	21.10	25.00

**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 1994-95 and 1995-96 has been transferred to the Investor 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 1994-95 and 1995-96.

The dividend for the following years remaining unclaimed for 7 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 declaration of dividend	Due for transfer to IEPF
1996-1997	12 <sup>th</sup> September 1997	October 2004
1997-1998	9 <sup>th</sup> September 1998	October 2005
1998-1999	8 <sup>th</sup> September 1999	October 2006
1999-2000*	20 <sup>th</sup> September 2000	May 2007
2000-2001	21 <sup>st</sup> September 2001	September 2008
2001-2002	24 <sup>th</sup> September 2002	September 2009
2002-2003	26 <sup>th</sup> September 2003	September 2010

\*Interim Dividend

**Address for Investor Correspondence:**

For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non receipt of dividend or any other query relating to shares, please write to Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078, Phone: 022 25923837/31070256/7, Fax: 022 25689678/5672693, E Mail isrl@vsnl.com

For general correspondence GHCL Limited, “GHCL HOUSE” Opp. Punjabi Hall, Navarangpura, Ahmedabad - 380 009 Phone: 079-26427519/26569526, Fax # 079 - 26423623, E-mail: ghcl@vsnl.com



**Share transfer system**

Company processes the share transfers and other related shareholders services through Registrar on a fortnightly basis. Share transfers in physical form are re-registered or returned within a period of 15 days from the date of receipt in case documents are complete in all respects.

**Dematerialisation of Shares and Liquidity**

76.37% of the outstanding shares have been dematerialised as on 31<sup>st</sup> March 2004. Trading in company's shares is permitted only in dematerialised form with effect from 28<sup>th</sup> August 2000 as per notification issued by the Securities and Exchange Board of India.

The Company provides facility for simultaneous transfer and Dematerialisation of equity shares as per the procedure prescribed by NSDL and CDSL.

**Outstanding GDRs/ADRs/ Warrants or any convertible Instruments – Nil**

**DISTRIBUTION OF SHAREHOLDING AS ON 31, MARCH 2004**

No. of Shares held of Rs. 10 each between	No. of shareholders holding	% of total share holding	No. of shares	% of total shares	
1	2500	45910	67.81	5706148	6.00
2501	5000	12598	18.61	5195134	5.46
5001	10000	5261	7.78	4618920	4.86
10001	20000	2065	3.05	3325536	3.50
20001	30000	660	0.97	1735423	1.83
30001	40000	279	0.41	1019968	1.07
40001	50000	299	0.44	1443035	1.52
50001	100000	348	0.51	2579610	2.71
100001	above	287	0.42	69464637	73.05
	<b>67707</b>	<b>100</b>	<b>95088411</b>	<b>100</b>	

**SHAREHOLDING PATTERN**

Category	31 <sup>st</sup> March 2004	
	No of shares held	% of shareholding
<b>A Promoters Holding</b>		
1 Promoters		
Indian Promoters	38559664	40.55%
Foreign Promoters	3507900	3.69%
2 Persons Acting in concert - Directors & relatives	5450	0.01%
<b>Sub-Total</b>	<b>42072014</b>	<b>44.25%</b>
<b>B Non-Promoters Holding</b>		
3 Institutional Investors		
a Mutual Funds and UTI	238341	0.25%
b Banks, Financial Institutions, Insurance Companies Central/ State Govt. Institutions /Non Government Institutions)	16464118	17.31%
c FIIs	20500	0.02%
<b>Sub-Total</b>	<b>16722959</b>	<b>17.58%</b>
4 Others		
a Private Corporate Bodies	7102205	7.47%
b Indian Public	26640290	28.02%
c NRIs/OCBs	2355448	2.48%
d Any other- Clearing Members	194495	0.20%
<b>Sub-Total</b>	<b>36292438</b>	<b>38.17%</b>
<b>Grand Total</b>	<b>95088411</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 Distt. Nagapattinam, Tamilnadu (b) Nemeli Road Thiruporur - 603 110 Tamilnadu
<b>Textile Division</b>	(a) Samayanallur P.O, Madurai-625 402. (b) Thaikesar Alai PO, Manaparai – 621 312
<b>ITES Division</b>	C - 39 Sector - 58, Noida

**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 2004, as stipulated in clause 49 of the Listing Agreement of the said 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.

As required by the Guidance Note issued by the Institute of Chartered Accountant of India we have to state that based on the report given by the Registrars and Share Transfer Agents of the Company to the Investors' Grievance Committee, as on 31<sup>st</sup> March 2004 there were no investor grievance matters against the Company remaining unattended / pending for more than 30 days.

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

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

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

Place : Mumbai  
Dated : 30<sup>th</sup> July, 2004

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

(RAHUL DIVAN)  
Partner  
Membership No.100733

**AUDITORS' REPORT**

To the Members of  
GHCL LIMITED

1. We have audited the attached Balance Sheet of GHCL Limited as at 31 March 2004 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, 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, 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 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2004 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 2004;
    - 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  
(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 : Mumbai  
Dated : 30<sup>th</sup> July, 2004

**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 2004.)

- (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 explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to or from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956;
- (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 purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the register in pursuance of 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 of the Companies Act, 1956 and the rules framed thereunder and the directives issued by the Reserve Bank of India, where applicable, with regard to the deposits accepted from public. We are informed that no order has been passed by the Company Law Board.
- (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 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, Customs Duty, Cess and any other statutory dues applicable to it. There are no undisputed statutory dues as referred to above as at 31 March 2004 outstanding for a period of more than six months from the date they become payable.
- (b) The disputed statutory dues aggregating to Rs. 819.49 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	Interest on delayed payments	Assistant Commissioner of Income Tax	1998-99	71.38
2	Income Tax Act, 1961	Disallowance of expenses and interest on delayed payments	Assistant Commissioner of Income Tax	2001-02	310.76
3	Wealth Tax Act, 1956	Under Section 16(3)	Assistant Commissioner of Wealth Tax	1993-99	97.44
4	Central Excise Act, 1944	CENVAT credit	Additional Commissioner of Central Excise	2003-04	3.71
5	Central Excise Act, 1944	CENVAT credit	Commissioner of Central Excise, Appeals	2003-04	0.51
6	Central Excise Act, 1944	CENVAT credit and valuation of goods	CESTAT	1997-98	57.36
7	Central Excise Act, 1944	MODVAT credit	CESTAT	2002-03	1.77
8	Central Excise Act, 1944	CENVAT credit	Joint Commissioner of Central Excise	2002-03	7.00
9	Central Excise Act, 1944	CENVAT credit	Deputy Commissioner of Central Excise	2002-03	0.29
10	Central Sales Tax Act, 1956	Turn over tax	Gujarat Sales Tax Tribunal	1993-94	213.10
11	Urban Land Tax Act	Urban Land Tax	Madurai Corporation	1981-04	52.31
12	Property Tax	Property Tax	Paravai Panchayat	1998	3.86



- (x) According to the records of the Company, the Company neither have any accumulated losses at the end of the financial year nor it has incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- (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) 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 2004, and information and explanations given to us, we report that funds raised on a short-term basis 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 2004. Accordingly, paragraph 4(xix) of the Order is not applicable.
- (xx) During the year ended 31 March 2004, 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 year.

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 : Mumbai  
Dated : 30<sup>th</sup> July, 2004



**BALANCE SHEET AS AT 31ST MARCH, 2004**

	Schedules		As at 31.03.2004 (Rs in lacs)	As at 31.03.2003 (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>13,495.23</u>	<u>12,388.26</u>
			<b>23,004.07</b>	21,897.10
<b>Loan Funds</b>				
Secured Loans	3		14,988.14	11,689.73
Unsecured Loans	4		<u>325.85</u>	<u>174.24</u>
			<b>15,313.99</b>	11,863.97
<b>Deferred Tax Liability</b>			<b>7,003.75</b>	7,501.69
<b>Total</b>			<u><b>45,321.81</b></u>	<u>41,262.76</u>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block			66,025.34	64,332.46
Less : Depreciation			<u>31,454.00</u>	<u>28,363.85</u>
Net Block	5		<u>34,571.34</u>	35,968.61
Capital Work-in-Progress			97.49	514.35
Advances against capital expenditure			<u>80.59</u>	<u>16.73</u>
			<b>34,749.42</b>	36,499.69
<b>Investments</b>	6		<b>1,339.48</b>	2,200.50
<b>Current Assets, Loans and Advances</b>				
Inventories			8,179.34	6,599.79
Sundry Debtors			5,341.39	4,094.14
Cash and Bank Balances			3,164.99	1,839.92
Loans and Advances			<u>5,677.99</u>	<u>3,076.96</u>
			<u>22,363.71</u>	<u>15,610.81</u>
<b>Less : Current Liabilities and Provisions</b>	8			
Liabilities			12,651.53	12,007.70
Provisions			<u>1,652.93</u>	<u>2,499.19</u>
			<u>14,304.46</u>	<u>14,506.89</u>
<b>Net Current Assets</b>			<b>8,059.25</b>	1,103.92
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)				
Deferred Revenue Expenses			<u>1,173.66</u>	<u>1,458.65</u>
<b>Total</b>			<u><b>45,321.81</b></u>	<u>41,262.76</u>

**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

P. Sampath  
Joint Managing Director

(C. V. Thakker)  
Partner

(Rahul Divan)  
Partner

Dr B.C.Jain

R. S. Jalan  
Joint Managing Director

H.H.Faruqi  
Directors

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

Place : Mumbai  
Date : 30th July, 2004

Place : New Delhi  
Date : 30th July, 2004




**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH , 2004**

	Schedules	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
<b>INCOME</b>			
Sales- Gross		51703.29	48826.13
Less: Excise Duty & Sales Tax		6297.46	5927.67
Income from Services		752.26	228.26
Other Income	9	793.27	355.55
<b>TOTAL INCOME</b>		<b>46,951.36</b>	<b>43,482.27</b>
<b>EXPENDITURE</b>			
Manufacturing Expenses	10	25,370.49	22,799.41
Purchase of Trading Goods		1,786.47	700.97
Payments to and Provisions for employees	11	3,462.17	3,109.72
Administrative and Miscellaneous Expenses	12	3,448.58	2,693.40
Selling and Distribution Expenses	13	4,513.41	3,679.18
Excise Duty on Stock		112.12	57.66
(Increase)/Decrease in Stock	14	(644.49)	470.01
<b>SUB TOTAL</b>		<b>38,048.75</b>	<b>33,510.35</b>
Profit before Financial Expenses and Depreciation		8,902.61	9,971.92
Financial Expenses	15	1,476.37	1,999.59
Profit Before Depreciation		7,426.24	7,972.33
Depreciation		3,294.93	2,951.78
Profit Before Taxation		4,131.31	5,020.55
<b>Provision For Taxes</b>			
- Current Tax		1,619.97	357.28
- Deferred Tax		(497.94)	32.13
Profit For The Year after Tax		3,009.28	4,631.14
Balance brought forward from previous year		6,955.74	6,328.54
Balance of loss of subsidiary absorbed on Amalgamation		-	(1,673.79)
Arrears of Depreciation/Deferred Revenue Expenses		(312.63)	-
Excess/(short) provision for Tax for earlier year		23.05	(6.73)
Debenture Redemption Reserve written back		-	985.48
Amount Available For Appropriation		9,675.44	10,264.64
<b>APPROPRIATIONS</b>			
Transfer to Debenture Redemption Reserve		157.85	341.66
Transfer to General Reserve		150.46	500.00
Proposed Dividend on Equity Shares		1,426.33	2,187.03
Tax on Dividend		186.40	280.21
Balance Carried To Balance Sheet		7,754.40	6,955.74
		<b>9,675.44</b>	<b>10,264.64</b>
Earning per Share - Basic & Diluted		3.16	4.87

 ANNUAL  
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**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

 P. Sampath  
 Joint Managing Director

 (C. V. Thakker)  
 Partner

 (Rahul Divan)  
 Partner

Dr B.C.Jain

 R. S. Jalan  
 Joint Managing Director

 H.H.Faruqi  
 Directors

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

 Place : Mumbai  
 Date : 30th July, 2004

 Place : New Delhi  
 Date : 30th July, 2004



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004**

	<b>2003-2004</b> <b>(Rs in lacs)</b>	<b>2002-2003</b> <b>(Rs in lacs)</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and Extraordinary items	4,131.31	5,020.55
<b>Adjustment for :</b>		
Depreciation	3,294.93	2,951.78
Foreign Exchange Gain	(43.80)	(17.01)
Income from Investments	(72.23)	(29.09)
Income From Dividend	(0.11)	(0.86)
(Profit)/Loss on Sales/Discarding on Fixed Assets (net)	(100.89)	106.56
Provision for Doubtful Debts	26.05	0.95
Provision for Leave encashment	48.00	26.08
Loss on Sale of Investments	400.44	-
Financial Expenses	1,476.37	1,999.59
	<b>5,028.76</b>	<b>5,038.00</b>
<b>Operating Profit before Working capital Changes</b>	<b>9,160.07</b>	<b>10,058.55</b>
<b>Adjustments for :</b>		
Trade & other Receivables	(4,180.19)	(806.51)
Inventories	(1,579.55)	(53.57)
Trade payables	1,130.04	9.83
	<b>(4,629.70)</b>	<b>(850.25)</b>
<b>Other Adjustments</b>		
Deferred Revenue Expenditure (to the extent not written off)	284.99	(253.39)
<b>Cash Generated from Operations</b>	<b>4,815.36</b>	<b>8,954.91</b>
Direct taxes paid	(1,594.26)	(668.91)
<b>Net cash from Operating Activities</b>	<b>3,221.10</b>	<b>8,286.00</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(4,697.76)	(2,101.73)
Sale of Fixed Assets	2,436.64	98.78
(Purchase)/Sale of Investments	295.40	(139.56)
Investment/ Advances in Subsidiaries	476.64	(6.80)
Income from Investments	72.23	29.09
Interest Received	81.37	115.72
Dividend Received	0.11	0.86
<b>Net cash used in Investing Activities</b>	<b>(1,335.37)</b>	<b>(2,003.64)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Secured Loans	5,885.80	850.00
Repayment of Secured Loans	(2,587.39)	(3,602.42)
Proceeds from Unsecured Loans	250.00	-
Repayment of Unsecured Loans	(98.39)	(253.70)
Gain on Exchange	43.80	17.01
Interest and Finance Charges Paid	(1,606.79)	(2,217.53)
Dividend and tax thereon paid	(2,447.69)	(2,332.33)
<b>Net Cash used in Financial Activities</b>	<b>(560.66)</b>	<b>(7,538.97)</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>1,325.07</b>	<b>(1,256.61)</b>
<b>Cash and Cash Equivalents as at 1st April (Opening Balance)</b>	<b>1,839.92</b>	<b>3,062.41</b>
<b>Cash and Cash Equivalents taken over on amalgamation</b>	<b>-</b>	<b>34.12</b>
<b>Cash and Cash Equivalents as at 31st March (Closing Balance)</b>	<b>3,164.99</b>	<b>1,839.92</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

P. Sampath  
Joint Managing Director

(C. V. Thakker)  
Partner

(Rahul Divan)  
Partner

Dr B.C.Jain

R. S. Jalan  
Joint Managing Director

H.H.Faruqi  
Directors

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

Place : Mumbai  
Date : 30th July, 2004

Place : New Delhi  
Date : 30th July, 2004



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

**SCHEDULE 1 : SHARE CAPITAL**

	As at 31.03.2004 (Rs in lacs)	As at 31.03.2003 (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 31.03.2004 (Rs in lacs)	As at 31.03.2003 (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	1,663.39	2,307.21
Transfer from Profit and Loss Account	157.85	341.66
	<u>1,821.24</u>	<u>2,648.87</u>
Transfer to Profit and Loss Account	-	985.48
	<u>1,821.24</u>	1,663.39
<b>CAPITAL REDEMPTION RESERVE</b>	1,000.00	1,000.00
<b>INVESTMENT ALLOWANCE RESERVE</b>	1,086.00	1,086.00
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	1,641.93	1,141.93
Transfer from Profit and Loss Account	150.46	500.00
	<u>1,792.39</u>	1,641.93
<b>PROFIT AND LOSS ACCOUNT</b>		
Balance as per account annexed	7,754.40	6,955.74
<b>Total</b>	<u>13,495.23</u>	<u>12,388.26</u>



**SCHEDULE 3 : SECURED LOANS**

	<b>As at 31.03.2003 (Rs in lacs)</b>	<b>As at 31.03.2003 (Rs in lacs)</b>
<b>DEBENTURES</b>		
14.00% Non Convertible Debentures	<b>167.00</b>	334.00
13.50% Non Convertible Debentures	<b>1,334.00</b>	2,000.00
13.00% 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>3,738.76</b>	96.95
<b>FROM OTHERS</b>		
Rupee Term Loans - IDBI	-	2,508.10
Foreign Currency Term Loans - IDBI	<b>1,652.68</b>	-
Rupee Term Loans - Exim Bank	<b>2,934.00</b>	2,500.00
Foreign Currency Term Loans - Exim Bank	<b>911.70</b>	-
Hire Purchase Loans	-	0.68
<b>Total</b>	<b>14,988.14</b>	11,689.73

**Notes:**

1. a) 14% Non-Convertible Debentures are privately placed with Central Bank of India will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 7th year from the date of allotment i.e. 8th December 1997.
- b) 13.50% Non-Convertible Debentures are privately placed with Unit Trust of India and will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 7th year from the date of allotment i.e. 15th May, 1998 and 17th August, 1998.
- c) 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) All the above Non-Convertible Debentures except 10% (Rs. 2750 Lacs) Non-Convertible Debentures as disclosed in (e) below 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 ranking pari-passu with the charge referred to in note 1 (a) above and hypothecation of specified movable assets of Soda Ash Division.
- e) 10% Non-Convertible Debentures are privately placed with Financial Institutions and will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 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 in Gujarat, both present and future ranking pari-passu with the charge referred to in note 1(a) and 2 (d) above and hypothecation of specified movable assets of Soda Ash Division. Interest rate in respect of NCD placed with LIC, GIC, NIC, OIC and UIIC has been reduced from 13.5% to 10% during the year.
2. a) Foreign Currency Loan from IDBI has been secured against first mortgage on the specified movable and immovable properties of Soda Ash Division at (1) Village Sutrapada & Kadwar, Veraval in Gujarat (2) Noida in U.P (3) Ahmedabad properties and hypothecation of specified movable assets of the Company, both present and future. During the year outstanding Term Loan with IDBI has been converted into Foreign Currency Loan effective from 7th May 2003 and repayable quarterly in equal installment from 1st July 2003.
- b) Foreign currency loan of Rs 230.61 Lacs from Exim Bank is secured by first exclusive charge by way of equitable mortgage on immovable properties of edible salt division situated at (i) Village Shelwali, Maharashtra (ii) Village Thiruporur, Tamil Nadu and Hypothecation of specified movable assets both present and future of the Company's edible salt division. During the year outstanding Term Loan with Exim Bank has been converted into Foreign Currency Loan effective from 8th April 2003 and repayable in six monthly equal installments starting from 30th July 2003.
- c) Foreign currency loan of Rs.681.09 lacs from Exim Bank is secured by moveable fixed assets pertaining to GHCL's ITES Division named as Unit: Icon Data Management both existing and thereafter acquired. During the year outstanding term loan with Exim Bank has been converted into Foreign Currency Loan effective from 9th February 2004 and repayable in quarterly equal installments starting from 20th March 2004.
- d) Rupee Term Loan of Rs. 2934 Lacs availed from Exim Bank is secured by exclusive first charge by way of 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.



3. Working Capital Loans 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.
4. Specified movable assets referred to in the above notes include all movable assets of Soda Ash Division (save and except book debts and assets acquired on Hire Purchase) 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 31.03.2004 (Rs in lacs)</b>	<b>As at 31.03.2003 (Rs in lacs)</b>
Fixed Deposits	<b>17.93</b>	101.84
Other Loans and Advances :		
Interest free Sales Tax loan	<b>57.92</b>	72.40
Loan from Bank	<b>250.00</b>	-
<b>Total</b>	<b>325.85</b>	174.24

**SCHEDULE 5 : FIXED ASSETS**

(Rs. in lacs)

PARTICULARS	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK	
	As at 01.04.2003	Additions (Deletions)	As at 31.03.2004	As at 01.04.2003	Additions (Deletions)	As at 31.03.2004	As at 31.03.2004	As at 31.03.2003
<b>TANGIBLE ASSETS</b>								
Leasehold Land	600.62	0.01	600.63	65.35	5.92	71.27	529.36	535.27
Freehold Land	4973.34	64.53 (1071.75)	3966.12	0.00	0.00	0.00	3966.12	4973.34
Buildings	8121.77	224.63 (17.25)	8329.15	1662.92	204.09 (0.56)	1866.45	6462.70	6458.85
Plant and Machinery	48410.13	3131.22 (1522.61)	50018.74	25661.58	2834.06 (307.20)	28188.44	21830.30	22748.55
Furniture and Fixtures	740.49	5.67 (43.88)	702.28	228.33	44.94 (37.61)	235.66	466.62	512.16
Office Equipments	944.98	55.28 (150.57)	849.69	534.01	58.74 (141.57)	451.18	398.51	410.97
Vehicles	278.81	46.02 (47.11)	277.72	106.73	32.03 (30.48)	108.28	169.44	172.08
<b>INTANGIBLE ASSETS</b>								
Goodwill	262.32	-	262.32	104.93	52.46	157.39	104.93	157.39
Software	-	37.97	37.97	-	2.48	2.48	35.49	-
Salt Works Reservoirs and Pans	-	644.36	644.36	-	372.85	372.85	271.51	-
Leased Mines	-	336.36	336.36	-	-	-	336.36	-
<b>Total</b>	<b>64332.46</b>	<b>4546.05 (2853.17)</b>	<b>66025.34</b>	<b>28363.85</b>	<b>*3607.57 (517.42)</b>	<b>31454.00</b>	<b>34571.34</b>	<b>35968.61</b>
Previous Year	60729.91	3875.56** (273.01)	64332.46	25277.47	3154.05 (67.67)	28363.85	35968.61	-



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 (Tamilnadu) the value of advance has been apportioned to various assets as per the valuation report. The details are as follows. (See note No.3 of Schedule 16)

Particulars	Rs. in Lacs
Lease hold land	0.01
Freehold land	0.10
Buildings	36.80
Plant & Machinery	25.40
Furniture & Fixtures	2.26
Office Equipments	0.45
Vehicles	14.98
Salt Pans	370.00
<b>Total</b>	<b>450.00</b>

\*3. Current year depreciation includes arrears of depreciation and amortisation of Rs.312.63 lacs on the above assets. (See note No.3 of Schedule 16)

\*\*4. Previous year additions include assets acquired on amalgamation.



**SCHEDULE 6 : INVESTMENTS**

	<b>As at 31.03.2004 (Rs in lacs)</b>	<b>As at 31.03.2003 (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
NIL (Previous Year 1277800) Equity shares of Rs. 10/- each fully paid up of DSS Mobile Communications Limited sold during the year	-	146.95
NIL (Previous Year 3950000) Equity shares of Rs. 10/- each fully paid up of SDT Enterprises Private Limited sold during the year	-	454.25
10 Equity shares of Rs.10/- each fully paid up of Kodaikanai Co-op Stores Limited (Rs.100)		
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 Ltd. (Rs.100)		
50 (Previous Year 100) 15.75% Secured redeemable Non Convertible Bonds of Rs. 50000 each of Krishna Bhagya Jal Nigam Ltd (Partly Redeemed during the year)	25.00	50.00
17.5% Rajasthan State Electricity Board Bonds (Face value Rs.20.00 lacs) redeemed during the year	-	19.50
15 15.5% Secured redeemable non convertible regular return bonds of Rs.100000 each of Sardar Sarovar Narmada Nigam Limited.	15.00	15.00
<b>Shares in Subsidiary Company</b>		
750000 (Previous Year 50050) Equity shares of Rs.10 each fully paid of Colwell & Salmon Communication(India) Ltd.(Subscribed 699950 shares during the year)	75.00	5.01
1519.6 (Previous Year1379.6) shares of US \$ 1.00 each fully paid up of Colwell & Salmon Communications Inc, USA ( Acquired 140 shares during the year)	1,164.24	1069.05
<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
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>		
NIL Units of JM High Liquidity Fund (Prevoius Year 872260.192 units at Rs. 16.7381 sold during the Year)	-	146.00
NIL Units of Templeton India Treasury Management Growth (Previous Year 8008.918 at Rs. 1504.5728 per Unit (sold during the year)	-	120.50
NIL Units of Kotak Mahendra Liquid Institutional Plan - Growth (Previous Year 943021.6398 at Rs. 12.0888 per unit sold during the year)	-	114.00
	<b>1339.48</b>	<b>2200.50</b>
	<b>As at 31.03.2004</b>	<b>As at 31.03.2003</b>
	<b>Book Value</b>	<b>Book Value</b>
Quoted	<b>51.96</b>	51.96
Others	<b>1,287.52</b>	2,148.54
	<b>1,339.48</b>	<b>2,200.50</b>
	<b>Market Value</b>	<b>Market Value</b>
Quoted	<b>79.45</b>	35.20
Others	<b>1,287.52</b>	2,148.54
	<b>1,339.48</b>	<b>2,200.50</b>

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



**DETAILS OF INVESTMENTS PURCHASED & SOLD DURING THE YEAR 2003-04**

Particulars of Investment	No. of Unit	Particulars of Investment	No. of Unit
Chola Triple Ace Institutional Cumulative	671368	Kotak Liquid Regular Plan Growth	303613
Chola Triple ACE Institutional Semi Annual Dividend	1344116	Kotak Mahindra Liquid Inst. Plan Growth	12622510
DSP MERILL LYNCH Floating Rate Fund Growth	5065093	Kotak Mahindra Liquid Plan Growth	321568
DSP MERILL LYNCH Liquidity Fund Growth	4726958	Kotak Mahindra Liquid Scheme Growth	3650775
DSP MERILL LYNCH Saving Plus Growth	182977	Principal Cash Management Fund Growth	278203
DSP MERILL LYNCH STP Growth	5558161	Prudential ICICI Flexi Income Plan- Growth	880879
DSP MERILL LYNCH STP Weekly Dividend	1498264	Prudential ICICI Flexible Income Plan Growth	220932
DSPML Floating Rate Fund Growth	9818999	Prudential ICICI Liquid Inst. Plan	5174083
DSPML Liquidity Fund Growth	161908	Prudential ICICI Liquid Plan	779117
DSPML Saving Plus Growth	214743	Reliance Monthly Income Plan	250000
DSPML Floating Rate Fund - Growth	4025256	Sundram Bond Saver- Dividend Half Yeraly	468810
DSPML Liquidity Fund Growth	2784325	Sundram Money Fund - Appreciation	666831
DSPML SAVING PLUS Growth	796089	TATA Income fund Appreciation - Bonus	241903
DSPML Short Term Fund Growth	6344180	TATA Liquid Fund Appreciation	175372
Franklin Templeton India Monthly Income Plan A	780570	Templeton Floating Rate Income Fund-STP Growth	7336815
Grindlays Cash Fund - Growth	6667400	Templeton India IBA inst. Growth	4325322
Grindlays Cash Fund Inst Plan B Growth	24872296	Templeton India STP Growth	49051
Grindlays Dynamic Bond Fund -Growth	1750991	Templeton India Treasury Management Account Growth	95758
Grindlays Floating Rate Fund - Growth	7908306	Zurich India High Interst Fund STP -Growth	895135
Grindlays Floating Rate Inst Plan B Growth	59965279	Zurich India Liquity Fund SP Growth	2147712
GSSIF - SHORT TERM GROWTH	2645300	DSP MERILL LYNCH Liquidity Fund Daily Dividend	3910843
HDFC Cash Management Fund SP Growth	3592619	DSP MERILL LYNCH STP Weekly Dividend	1201174
HDFC Floating rate Fund STP Growth	454403	Grindlays Cash Fund - Inst Plan B Daily Dividend	9182371
HDFC High Interest Fund - Growth Fund	110123	Grindlays Cash Fund Daily Dividend	47344
HDFC High Interest Fund STP Growth	1712813	GSSIF Short Term Monthly Dividend	2540574
IL&FS Bond fund -Institutional Plan( Annual Dividend Option)	3051911	HDFC Cash Management Fund Saving Daily Dividend	460682
IL&FS Liquid Account Growth Plan	1521021	HDFC Liquid Daily Dividend	1288209
IL&FS Liquid Account Inst. Plan (Growth Option)	862682	JM High Liquidity Fund Daily Dividend	3690589
JM Floter Short Term Plan Growth	5080309	JM High Liquidity Fund -Inst. Plan Dividend	4403588
JM High Liquidity Fund- Growth Plan	749565	JM Short Term Fund Dividend Plan	968880
JM High Liquidity Fund Inst. Plan Growth	17177042	JM Short Term Fund Inst. Dividend Plan	1999384
JM Income Fund Fund- Growth Plan	298686	Kotak Mahindra liquid Dividend	199732
JM Short Term Fund Inst. Plan Growth	11261055	Templeton India STP Weekly Dividend	20668
JM Short Term Fund Growth	1576230	Templeton India Treasury Management Acc. Dividend	12573
K Bond Short Term Plan Dividend	2558900	Templeton India Treasury Management Account Daily Dividend	43409
K Bond Short Term Plan Growth	7807648	Zurich India High Interest STP Dividend	951085
K Bond Unit 99 (Wholesale Plan) Growth	1230819	Zurich India Liquity Fund SP Daily Dividend	9768226
Kotak Income Plus - Growth	100000	<b>Total</b>	<b>288502125</b>



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

	As at 31.03.2004 (Rs in lacs)	As at 31.03.2003 (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	4,444.21	3,383.27
Finished goods	1,477.04	949.30
Stock in process	263.03	147.14
Stores and spares	1,995.06	2,120.08
<b>Total</b>	<b>8,179.34</b>	<b>6,599.79</b>
<b>Sundry Debtors (Unsecured, considered good unless stated otherwise)</b>		
Outstanding over six months		
Considered good	76.35	144.97
Considered doubtful	31.41	5.36
Provision for Doubtful Debts	(31.41)	(5.36)
	76.35	144.97
Other debts	5,265.04	3,949.17
<b>Total</b>	<b>5,341.39</b>	<b>4,094.14</b>
<b>Cash &amp; Bank Balances</b>		
Cash balance on hand	20.98	19.78
Balances with Scheduled Banks		
In Current Accounts	477.20	1,222.79
In Fixed deposit	265.49	381.43
In Margin Account	1,340.86	
Remittances in transit	1,060.46	215.92
<b>Total</b>	<b>3,164.99</b>	<b>1,839.92</b>
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	4,727.80	2,477.27
Due from wholly owned Subsidiary Company	313.25	1.79
Interest Accrued on Investments	4.18	8.22
Balances with Customs, Port Trust, Central excise etc.,	278.00	240.50
Income Tax paid/Tax Deducted at Source (net of provisions)	343.76	338.18
Fixed Deposits with Sardar Sarover Narmada Nigam Ltd. (pledged with Collector of Bhavnagar)	11.00	11.00
<b>Total</b>	<b>5,677.99</b>	<b>3,076.96</b>


**SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS**

	As at 31.03.2004 (Rs in lacs)	As at 31.03.2003 (Rs in lacs)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors for Goods and Expenses	5,279.21	4,276.47
Sundry Creditors for Capital Expenditure	393.96	898.67
Sundry Creditors-Small Scale Industrial Undertakings	9.98	9.66
Advances from Customers	359.96	313.86
Trade Deposits from Dealers	110.76	115.18
*Investor Education & Protection Fund shall be credited by		
–Unclaimed Dividend	219.44	199.89
–Unclaimed Fixed Deposits	17.26	25.78
–Interest Accrued on Unclaimed Fixed Deposits	3.43	3.48
Other liabilities	6,249.02	6,107.15
Interest accrued but not due	8.51	57.56
<b>Total</b>	<b>12,651.53</b>	<b>12,007.70</b>
<b>PROVISIONS</b>		
Wealth Tax	40.20	31.95
Proposed Dividend on Equity Shares	1,426.33	2,187.03
Tax on Dividend	186.40	280.21
<b>Total</b>	<b>1,652.93</b>	<b>2,499.19</b>

\* The figure reflects the position as of 31st March 2004. 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**

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Income on Investments (other than trade) (Tax Deducted at Source Rs. 2.30 lacs, Previous year Rs. 3.22 lacs)	72.23	29.09
Dividend Income (Tax Deducted at Source Rs. NIL , Previous year Rs 0.09 lacs)	0.11	0.86
Gain on Exchange (net)	43.80	17.01
Profit on sale of assets (net)	243.63	-
Profit on sale of Investment	-	17.57
Recovery from Bad debts	1.05	2.65
Claims Received	-	114.28
Sundry Credit Balances Written back	12.67	82.32
Miscellaneous Income	419.78	91.77
<b>Total</b>	<b>793.27</b>	<b>355.55</b>

**SCHEDULE 10 : MANUFACTURING EXPENSES**

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Raw Materials Consumed	13,908.37	11,600.03
Stores and Spares	1,317.88	1,264.35
Repairs and Maintenance		
Machinery	704.92	713.92
Building	45.83	35.97
Others	76.28	67.33
	<b>827.03</b>	817.22
Power, Fuel and Water	6,941.07	6,967.92
Other Manufacturing Expenses	827.01	879.40
Packing Expenses	1,123.25	1,216.45
Operating Expenses for Services	425.88	54.04
<b>Total</b>	<b>25,370.49</b>	<b>22,799.41</b>




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

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Salaries, Wages and Bonus	2,658.58	2,480.48
Contribution to PF and other funds	550.61	413.44
Staff Welfare	204.98	189.72
Provision for Leave Encashment	48.00	26.08
<b>Total</b>	<b>3,462.17</b>	<b>3,109.72</b>

**SCHEDULE 12 : ADMINISTRATIVE AND MISCELLANEOUS EXPENSES**

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Travelling & Conveyance	584.51	554.87
Rent and Lease Rent	154.96	145.75
Rates and Taxes	76.71	44.75
Insurance	354.10	327.96
Auditors' Remuneration	15.46	11.17
Commission to Directors	110.71	121.72
Communication Expenses	142.52	138.51
Legal & Professional Expenses	407.25	408.88
Miscellaneous Expenses	586.42	507.86
Loss on sale of Investment	400.44	-
Deferred Revenue Expenditure Written Off	446.37	300.22
Bad Debts / Irrecoverable amounts written off (net)	0.34	24.20
Provision for Doubtful Debts	26.05	0.95
Deficit on Sales/ Discarding of Fixed Assets (net)	142.74	106.56
<b>Total</b>	<b>3,448.58</b>	<b>2,693.40</b>

**SCHEDULE 13 : SELLING AND DISTRIBUTION EXPENSES**

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Cash Discount	379.58	434.44
Freight and Forwarding	2,386.22	2,705.08
Commission on Sales	1,742.88	535.39
Rent on Godowns	4.73	4.27
<b>Total</b>	<b>4,513.41</b>	<b>3,679.18</b>

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

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
<b>Opening stock</b>		
Finished Goods	949.30	1,423.24
Trading Goods	-	21.94
Stock in Process	147.14	121.27
	<b>1,096.44</b>	<b>1,566.45</b>
<b>Closing 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>
(Increase)/Decrease in Stock	<b>(644.49)</b>	<b>470.01</b>

**SCHEDULE 15 : FINANCIAL EXPENSES**

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Interest - Fixed Loans	1,192.23	1,627.35
- Others	242.11	168.95
Other financial Charges	123.40	319.01
	<b>1,557.74</b>	<b>2,115.31</b>
Less : Interest Income	81.37	115.72
<b>Total</b>	<b>1,476.37</b>	<b>1,999.59</b>

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**SCHEDULE 16 : NOTES ON ACCOUNTS**


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**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 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. 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.

Exchange difference adjusted to the cost of assets is 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.

**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 recognise 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 the case of Yarn division, provision for gratuity has been made on the basis of an 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 amortised/ 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 amortised as per the existing Accounting Policy.

**Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortisation/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 capitalised as part of cost of such assets. The capitalisation 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 recognised 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 the ICAI.

**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 recognised, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing difference are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to re-assess realisation

**B. NOTES**

	<b>As at 31.03.2004 (Rs in lacs)</b>	<b>As at 31.03.2003 (Rs in lacs)</b>
2. (a) Estimated value of contracts remaining to be executed on Capital Account and not provided for.	<b>1212.80</b>	214.26
(b) Contingent Liabilities :		
(i) Guarantees issued by banks	<b>593.68</b>	539.37
(ii) Letters of Credit	<b>1564.15</b>	-
(iii) Bills discounted with banks (since realised)	<b>949.33</b>	705.94
(iv) Claims against the Company not acknowledged as debts		
- Income Tax & Wealth Tax	<b>479.58</b>	347.14
- Sales Tax	<b>213.10</b>	213.10
- Excise matters	<b>114.14</b>	125.36
- Other claims	<b>273.24</b>	262.53
(v) Corporate guarantee to Bank on behalf of subsidiaries of the company	<b>1146.26</b>	205.41
(c) Outstanding Commitments on Finance Lease rentals	-	2.86
(d) Export Obligation on duty free imports	<b>206.06</b>	1345.32

3. An amount of Rs.450 lacs paid as an advance towards purchase of salt fields at Vedaranyam (Tamilnadu) has been apportioned to respective assets during the year as per the valuation report in view of the interim injunctions issued by Hon'ble High Court, Madras, in favour of the Company.

Consequently, the depreciation / amortisation from the year of possession of the assets has been provided for including the arrears of depreciation / amortisation amounting to Rs. 312.63 lacs.

4. Provision for taxation includes Rs.3.00 lacs (Previous Year Rs. 2.00 lacs) for wealth tax and current income tax Rs.1616.97 lacs (Previous Year Rs.355.28 lacs) and deferred tax reversal of Rs.497.94 lacs (Previous Year charge of Rs. 32.13 Lacs).

5. i) Fixed Deposits include Rs.14.62 lacs (Previous Year Rs. 94.91 lacs) due within one year.

ii) Interest Free Sales Tax Loan include Rs.14.48 lacs (Previous Year Rs.14.47 lacs) due within one year.

6. Sundry Debtors , Creditors and Loans and Advances are subject to confirmation and consequential adjustment, if any.

7. Investments in unquoted shares of DSS Mobile Communications Ltd and SDT Enterprises Pvt Ltd have been sold during the year. Unquoted investments include equity in Collwel & Salmon Communications (India) Limited and Colwell & Salmon Communications, Inc., USA which are of long term strategic value.

8. Borrowing costs capitalised during the year Rs. 3.05 Lacs (Previous Year Rs.23.45 lacs)

9. The value of Finished Goods includes excise duty not paid Rs.112.12 lacs (Previous Year Rs. 57.66 lacs). This has however, no impact on the profit for the year.

10. Pending completion of relevant formalities for transfer of some of the assets acquired pursuant to the Scheme of Amalgamation, in the name of the Company, such assets continue to be in the name of erstwhile The Sree Meenakshi Mills Limited.

11. Pending registration of sale deed, Agreements for sale have been concluded in respect of 558 colony houses of Yarn Division at Madurai as on 31.03.2002 for a total sale consideration of Rs. 99.84 lacs and the Company has received the sum of Rs.92.71 lacs towards sale consideration.

12. In terms of a scheme under which the company has availed subsidy of Rs.2.94 lacs for colony houses which are under sale, the Government has the right to recover the amount of subsidy together with interest thereon, if the stipulated conditions at the time of disbursements are not adhered to.



13. The company has entered into stock purchase agreement dated October 31, 2002 to acquire 1666.6 fully paid up equity shares representing 83.33% of fully paid up equity share capital of Colwell & Salmon Communications, Inc., ( C & S) in a phased manner. The balance 147 fully paid up equity shares representing 7.33% of fully paid up equity share capital of C&S will be acquired on January 10, 2005 at US\$ 0.22 million (secured by an unconditional irrevocable standby letters of credit) The total purchase consideration of shares is US\$ 2.50 million. The investments are stated at cost of the acquisition which includes the consideration paid to the sellers and fees paid for valuation, due diligence, legal documentation, etc.
14. Loans & Advances includes Rs. 34000/- advance against accommodation paid to Director (Previous Year Rs.34000). Maximum outstanding balance during the year Rs. 34000/- (Previous Year Rs.34000) and lease rent includes Rs.114000 paid to the Directors (Previous Year Rs.102000).
15. **Related Party Transactions:**
- a Subsidiary :**  
Colwel & Salmon Communications (India) Limited  
Colwel & Salmon Communications Inc, USA
- b Associates**  
SDT Enterprises Private Limited
- c Key Management Personnel:**  
S K Mukherjee, Managing Director - till 30th April'2003  
P Sampath, Sr Executive Director  
R S Jalan, Sr Executive Director  
Tej Melhotra, Executive Director -Works  
N S Ramachandran, Executive Director - Marketing  
K K Ahuja, Executive Director - HR
- d Relative of Key Management Personnel:**  
Sashi Malhotra, w/o Tej Malhotra  
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, 2004**

Type of Transactions	Subsidiary	Associates	Key Management Personnel	Rs. lacs Relative of Key Management Personnel
1 Purchase or Sale of Fixed Assets			(0.06)	
2 Leasing & Hire purchase transactions			1.14 (1.02)	1.31 (1.02)
3 Finance:				
- Loans	311.46 (1,755.50)			
- Advances for Rental Accommodation			(0.34)	
- Equity	165.18 (1,074.06)			
4 Services				
- Income	417.40 (112.95)			
- Expenses	168.30			
5 Guarantees & Collaterals	1049.40 (205. 41)			
6 Remuneration			181.60 (178.99)	
7 Balances as on 31st March, 2004				
- Investments	1,239.24 (1,074.06)	(454.25)		
- Loans & Advances	313.25 (1.79)			
- Advances for Rental Accommodation			0.34 (0.34)	
- Debtors	71.90 (72.55)			
- Creditors	22.27 (4.54)			

Figures in brackets relate to year ended 31st March 2003.



	As at 01.04.2003	Current Year Charge/(Credit)	As at 31.03.2004
<b>16 Deferred Tax</b>			
a) Deferred tax liability on account of:			
i) Depreciation	7,161.76	(397.94)	6,763.82
ii) Others			
Deferred Revenue Expenditure	368.66	(65.71)	302.95
	<b>7,530.42</b>	<b>(463.65)</b>	<b>7,066.77</b>
b) Deferred tax assets on account of:			
I) Employee Benefit	4.82	(0.44)	4.38
ii) State & Central Taxes & Cess	23.91	34.73	58.64
	<b>28.73</b>	<b>34.29</b>	<b>63.02</b>
<b>Total</b>	<b>7,501.69</b>	<b>(497.94)</b>	<b>7,003.75</b>

17 a) Raw material costs include expenditure on captive production of salt and limestone as under:

	<b>2003-2004</b> <b>(Rs. in lacs)</b>	2002-2003 (Rs. in lacs)
Manufacturing Expenses	<b>1214.06</b>	1354.91
Stores and spares consumed	<b>16.74</b>	35.21
Power and fuel	<b>192.23</b>	250.02
Cess and Royalty	<b>323.71</b>	347.21
Repairs and maintenance		
Building	<b>26.12</b>	7.02
Plant and machinery	<b>42.59</b>	29.80
Earth work	<b>92.12</b>	70.21
Others	<b>11.11</b>	40.69
Salaries and Wages	<b>560.08</b>	567.48
Travelling & Conveyance	<b>16.23</b>	18.47
Lease Rent	<b>60.06</b>	115.32
Rates and taxes	<b>1.92</b>	1.98
Insurance	<b>6.99</b>	6.14
Interest - Fixed Loan	<b>26.34</b>	55.23
Misc. Expenses (Including Deferred Revenue & Intangible Expenses)	<b>182.84</b>	238.31
Less: Interest on Investments (other than trade)	<b>(0.57)</b>	(1.26)
Other Misc. Income	<b>(152.36)</b>	(60.38)
<b>Total</b>	<b>2,620.21</b>	3,076.36

	<b>2003-2004</b> <b>(Rs. in lacs)</b>	2002-2003 (Rs. in lacs)
<b>18 Auditors' Remuneration includes :</b>		
(a) To Statutory Auditors :		
Audit fee	<b>7.56</b>	6.30
Tax Audit Fee	<b>0.65</b>	0.60
Certification and Review Report	<b>3.78</b>	2.85
Taxation matters	<b>2.00</b>	-
Out of pocket expenses	<b>0.48</b>	0.55
(b) To Cost Auditors :		
Audit Fee	<b>0.87</b>	0.77
Out of pocket expenses	<b>0.12</b>	0.10



	<b>2003-2004</b> <b>(Rs. in lacs)</b>	2002-2003 (Rs. in lacs)
19 Managerial Remuneration		
(a) Wholetime Directors		
Salaries	74.32	71.47
Contribution to Provident and Superannuation funds	13.51	10.99
Perquisites	18.86	17.54
Gratuity	2.41	2.27
Commission	72.50	76.72
(b) Other Directors		
Sitting Fees	3.40	4.05
Commission	38.21	45.00
(c) Computation of Net Profit as per Section 349 / 350 of the Companies Act, 1956		
Profit for the year (as per Profit & Loss Account)	3009.28	4631.14
Add :		
Provision for Taxation	1122.03	389.41
Managerial Remuneration	223.21	228.04
Provision for Doubtful Debts	26.05	0.95
Loss on Sale of Investment	400.44	-
Deferred Revenue/ Intangible Expenses charged to Profit and Loss Account	446.37	420.27
	<b>5227.38</b>	5669.81
Less :		
Profit on Sale of Investment	-	17.57
Profit on Sale of Assets (net)	243.63	-
Defferref Revenue Expenses / Intangible Assets	810.08	895.70
Net Profit u/s 349 of the Companies Act, 1956	<b>4173.67</b>	4756.54
Commission payable to :-		
- Managing Director and Whole Time Directors as decided by the Board	72.50	76.72
- Non-Wholetime Directors as decided by the Board prorata for the period of service.	38.21	45.00
20 Expenditure in Foreign Currencies:		
Foreign Travel	91.63	58.49
Commission on Export Sales	284.37	91.85
Others	218.39	56.71
21 Remittances during the year in foreign currency on account of		
Dividends to non-resident shareholders	99.94	110.58
Dividend for the financial year ended :	<b>2002-03</b>	2001-02
Number of Non-resident Shareholders :	<b>1019</b>	1094
Number of Shares :	<b>4,345,408</b>	4,423,308
22 Earnings in foreign exchange		
(a) Export of Finished Goods on F.O.B basis	7381.90	7426.26
(b) Recovery towards Freight etc. on Exports	1207.43	1135.02
(c) Export Income from services	473.13	227.08
(d) Others	29.39	0.31
23 Value of imports on CIF Basis:		
Raw Materials and Utilities	3398.54	3858.69
Components and spare parts	132.31	70.88
Capital Goods	768.29	631.82
Trading Goods	391.84	-



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

		2003-04		2002-03	
		Installed	Licensed	Installed	Licensed
Soda Ash	MT.	525,000	N.A.	525,000	N.A.
Refined Salt	MT.	200,000	N.A.	200,000	N.A.
Yarn - Spindles	no.	61,032	N.A.	60,664	N.A.
Rotors	no.	384	N.A.	384	N.A.

		2003-04		2002-03	
UNIT		MT	Rs in lacs	MT	Rs in lacs
(b) Opening Stock					
Soda Ash	MT.	7,463	336.62	19,789	1063.78
Refined Salt	MT.	3,095	46.18	1,691	25.05
Cotton Yarn	MT.	314	475.77	184	189.95
PC Yarn	MT.	60	71.96	115	115.80
Cloth - Job Work	MTRS.	-	-	-	-
Others			18.77		50.60
			<b>949.30</b>		<b>1445.18</b>

(c) Production					
Soda Ash	MT.	503,726		504,689	
Refined Salt	MT.	99,721		76,797	
Cotton Yarn	MT.	3,669		3,152	
PC Yarn	MT.	1,023		1,363	
Cloth - Job Work	MTRS.	257			
Raw Salt	MT.	47,308		30,191	

(d) Purchase of Trading Goods			1,786.47		700.97
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(e) Consumption for internal use.					
Soda Ash*	MT.	15,675			16,893

(f) Sales					
Soda Ash	MT.	481,576	39673.30	500,122	40308.96
Refined Salt	MT.	96,609	1548.60	75,393	1272.75
Cotton Yarn	MT.	3,611	7286.88	3,022	4111.82
PC Yarn	MT.	822	1147.51	1,418	1771.65
Cloth - Job Work	MTRS.	163	158.01	-	-
Raw Salt	MT.	47,308	165.55	30,191	113.41
Others			1723.44		1247.54
			<b>51703.29</b>		<b>48826.13</b>

(g) Closing 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.	94	63.55	-	-
Others			19.30	-	18.77
			<b>1,477.04</b>		<b>949.30</b>

\* Including transit differences.

(h) Consumption of Raw Materials and Consumables					
Salt		1019449	3493.42	990928	3702.45
Lime Stone		949430	1796.56	934313	1862.66
Hard Coke		52632	3874.81	50944	2562.71
Cotton & Staple Fibre**		6816	4298.28	6014	3010.59
Other Chemicals			445.30	-	461.62
			<b>13908.37</b>		<b>11600.03</b>

\*\* The Consumption of Cotton and Staple Fiber is net of quantity sold 131 MT valued Rs. 118.71 Lacs



(i) Consumption of Raw Materials, Stores and Spares	2003-04		2002-03	
	Value of Consumption	% AGE	Value of Consumption	% AGE
Raw Materials:				
Imported	330.90	2.35%	1451.41	12.51%
Indigenous	13,577.47	97.65%	10148.62	87.49%
	<b>13,908.37</b>	<b>100%</b>	11,600.03	100%
Stores and Spares				
Imported	97.90	7.43%	103.22	8.16%
Indigenous	1,219.98	92.57%	1,161.13	91.84%
	<b>1,317.88</b>	<b>100%</b>	1,264.35	100%

**25 Deferred Revenue Expenditure:**

Deferred Revenue Expenditures Comprises of carrying amount as on 01.04.2003 as per the Transitional Provisions of AS26 on Intangible assets issued by ICAI

**a Voluntary Retirement Scheme expenses**

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

**26 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 the ICAI.

**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 Leased Mines**

Start up expenses of Lignite Project shall be written off in ten years after the commencement of Commercial Production

**d Goodwill**

Goodwill is amortised over a period of five years.

**27 Earnings per Share**

Earnings per Share has been computed as under:

	2003-04	2002-03
a Profit after Taxation (Rs. in Lacs)	3,009.28	4,631.14
b Number of Equity shares outstanding	95,088,411	95,088,411
c Earnings per share (Face value of Rs10/- per share)(a)/(b) (Basic and diluted)	3.16	4.87

**28 Sundry Creditors includes Rs.9.98 lacs due to small scale industrial undertakings ( Previous Year Rs. 3.82 Lacs) to the extent identified from the records of the company and outstanding for more than 30 days from the following parties.**

	Rs. Lacs
— Balaji Packagings	3.35
— Gotham Paper Products	3.45
— Priya Textile Cones	3.18

**29 The Company's name has been changed from GUJARAT HEAVY CHEMICALS LIMITED to GHCL LIMITED with effect from 21st Nov 2003.**

**30 Current year figure's are not comparable with previous year due to effect of amalgamation of ICON Data Management Limited effective 1st February, 2003.**

**31 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	P. Sampath Joint Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr B.C.Jain  H.H.Faruqi Directors	R. S. Jalan Joint Managing Director  J. P. Mehrotra Sr. General Manager (Finance) & Company Secretary

Place : Mumbai  
Date : 30th July, 2004

Place : New Delhi  
Date : 30th July, 2004





**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. :	<b>6513</b>	State Code :	<b>04</b>	Balance Sheet Date :	<b>31st March, 2004</b>
II.	Capital raised during the year (Amount in Rs. Thousands)					
	Public Issue :	<b>NIL</b>	Right Issue :			<b>NIL</b>
	Bonus Issue :	<b>NIL</b>	Private Placement :			<b>NIL</b>
III.	Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)					
	Total Liabilities	<b>4532181</b>	Total Assets			<b>4532181</b>
	<b>Sources of Funds</b>		<b>Application of Funds</b>			
	Paid-up Capital	<b>950884</b>	Net Fixed Assets			<b>3474942</b>
	Reserves and Surplus	<b>1349523</b>	Investments			<b>133948</b>
	Secured Loans	<b>1498814</b>	Net Current Assets			<b>805925</b>
	Unsecured Loans	<b>32585</b>	Misc. Expenditure			<b>117366</b>
	Deferred Tax Liability	<b>700375</b>				
IV.	Performance of Company (Amount in Rs. Thousands)					
	Turnover	<b>4695136</b>	Total Expenditure			<b>4282005</b>
	Profit/Loss Before Tax	<b>413131</b>	Profit After Tax			<b>300928</b>
	Earning per Share in Rs.	<b>3.16</b>	Dividend Rate			
			Equity Share :			<b>%</b>
			- Final			<b>15%</b>
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, 2004	31st March, 2004
2.00	Date from which they become subsidiary Companies	12th December, 2002	24th January, 2003
3.00	Number of shares held by Gujarat Heavy Chemicals Ltd. with its nominees in the subsidiaries at the end of the financial year of the subsidiary Company.	1519.60	7,50,000
3.20	Extent of interest of holding Company at the end of the financial year of the subsidiary Company.	76%	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, 2004	( USD 496194 )	( Rs. 474.00 lacs )
4.10.20	For the previous financial years of the subsidiary Company since it became the holding Company's subsidiary.	USD 45.00	Nil
4.20	Dealt with in holding companys account		
4.20.10	For the financial year ended 31st March, 2004	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

P. Sampath  
Joint Managing Director

Dr. B.C. Jain

R. S. Jalan  
Joint Managing Director

H. H. Faruqi  
Directors

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

Place : New Delhi  
Date : 30th July 2004



**Colwell & Salmon Communications, Inc.**

**Directors' Report for the year ended March 31, 2004**

We report our performance for the year ended March 31, 2004.

This is the second year of reporting financials for the period from April to March. Despite the slow recovery of the stagnating global economy we recorded revenues of US\$ 7.8 MM, growing by 14% over previous year. However the cost of this growth was quite high as we incurred a net loss of \$0.65 M during the year.

However the loss is not a reflection of our operating in-efficiency. It was indeed investment into building operating and business development bandwidth. Continuing with where we left of in 2003, we have built the data collection practice in market research in India, and are poised to take advantage of the investment, awaiting test programs from large market research clients. We also added a new segment called Higher Education services in 2003-04, having generated revenues worth \$0.2 M in 03-04 and \$ 0.14 K in the first quarter of 2004-05. We anticipate growing significantly in this segment in 2004-05 and expect this sector to provide substantial volumes for our Indian outsourcing capability.

In appreciation of our continuing efforts to provide utmost customer satisfaction through quality service delivery, we were awarded 2002 MVP Gold Award - an award that we have won for the 4<sup>th</sup> consecutive year.

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

The B2B segment fell marginally from \$ 4.8 MM to \$4.7 MM. This was due to the loss of two significant components of IBM business segment, which generated \$ 0.5 Mio in the last quarter of 2002-03 with Nil in 2003-04. However by changing focus we are able to recover a significant portion by the end of Apr-Jun'04 quarter from other IBM segments. We continue to be listed as one of the five most preferred vendors for IBM in the tele-services segment in North America. By virtue of our quality in service delivery, we have been able to secure \$ 300 K contract with Siemens, an IBM business partner. We have added new clients in Vertex Inc. and Avnet Inc. in the tech sector and Crain Communications and VNU in the publishing and media segments. We have expanded our offerings with Best Business Partners notably Software Solutions Inc., Practical software solutions, ISM Inc. We have not only held our price line but have increased even in difficult times.

The Market Research segment matched the revenues of \$ 0.45 MM recorded in the previous year. Despite having considerable interest in our Indian Data Collection practice, we have not been able to convert them into business volumes. The prevailing negative sentiment relating to outsourcing coupled with lack of opportunities due to weakness of the US economy have not helped our cause. However we feel this is a temporary outcome and we remain optimistic about the opportunity in the Data Collection segment presents to our India objective.

The B2C segment recorded revenues of \$ 2.46 MM achieving a growth of 44 % over 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 good volumes through our integrated capability and approach.

The Company stays focused in its strategy to acquire new customers by offering quality service delivery. Despite the set back in profitability Colwell & Salmon has remained focused to its overarching goal to be a company that is customer centric...through the relentless pursuit of quality; people oriented...through a commitment to recruiting & retaining the best talent, providing employees with skill building and career development opportunities and overall, being a great place to work. These principles have been the cornerstones of Colwell & Salmon's success during its 15 year history and will continue to be the foundation of our strategies going forward.

We have continued in our growth path, though modestly in 2003-04. We believe that our investment in capabilities in terms of management bandwidth will allow us to achieve the targets that we have set for ourselves.

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

**Mr. Wayne Colwell**  
Director and President & CEO

Date: April 26, 2004

**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, 2004 and 2003, 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, 2004 and 2003, 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 26, 2004

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

**Balance Sheet as at 31st March, 2004**

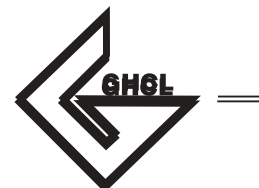
	US Dollars	
	2004	2003
<b>Assets</b>		
<b>Current assets:</b>		
Cash	110,145	402,378
Accounts receivable, net (Note 2)	1,225,214	839,022
Prepaid expenses	83,082	23,006
<b>Total current assets</b>	<b>1,418,441</b>	<b>1,264,406</b>
<b>Property and equipment, net (Note 3)</b>	<b>684,035</b>	<b>654,686</b>
<b>Deferred income taxes (Note 6)</b>	<b>86,488</b>	<b>-</b>
<b>Total Assets</b>	<b>2,188,964</b>	<b>1,919,092</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Short-term borrowings (Note 4)	397,268	286,240
Current portion of long-term debt (Note 5)	60,077	48,567
Current portion of capital lease obligations (Note 8)	39,487	14,035
Accounts payable and accrued expenses (Note 7)	997,451	511,618
Due to stockholders (Note 7)	-	250,362
Deferred revenue	176,079	141,942
Deferred income taxes (Note 6)	-	12,866
<b>Total current liabilities</b>	<b>1,670,362</b>	<b>1,265,630</b>
<b>Long-term debt (Note 5)</b>	<b>224,279</b>	<b>215,573</b>
<b>Capital leases payable (Note 8)</b>	<b>106,364</b>	<b>11,979</b>
<b>Deferred income taxes (Note 6)</b>	<b>-</b>	<b>90,746</b>
<b>Due to stockholders (Note 7)</b>	<b>505,682</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,506,687</b>	<b>1,583,928</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)	(319,723)	333,164
<b>Total stockholders' equity (deficit)</b>	<b>(317,723)</b>	<b>335,164</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>2,188,964</b>	<b>1,919,092</b>

The accompanying notes are an integral part of these financial statements

**Statement of Income and Retained Earnings For the Year Ended March 31, 2004**

	US Dollars			
	2004	%	2003	%
<b>Sales</b>	<b>7,807,754</b>	<b>100.0</b>	6,847,544	100.0
<b>Cost of Sales</b>	<b>4,809,382</b>	<b>61.6</b>	3,889,171	56.8
<b>Gross Profit</b>	<b>2,998,372</b>	<b>38.4</b>	2,958,373	43.2
<b>Operating expenses:</b>				
Administrative	3,779,796	48.4	2,814,628	41.1
Interest	61,452	0.8	38,938	0.6
<b>Total operating expenses</b>	<b>3,841,248</b>	<b>49.2</b>	<b>2,853,566</b>	<b>41.7</b>
<b>Income (loss) before provision for income taxes</b>	<b>(842,876)</b>	<b>(10.8)</b>	104,807	1.5
<b>Provision for income taxes (Note 6)</b>	<b>(189,989)</b>	<b>(2.4)</b>	104,526	1.5
<b>Net income (loss)</b>	<b>(652,887)</b>	<b>(8.4)</b>	281	-
<b>Retained Earnings - Beginning</b>	<b>333,164</b>		332,883	
<b>Retained Earnings (Deficit) - Ending</b>	<b>(319,723)</b>		333,164	

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, 2004**

US Dollars

	2004	2003
<b>Operating activities:</b>		
Net income (loss)	(652,887)	281
Adjustments to reconcile net income (loss) to net cash flows from (for) operating activities:		
Depreciation	184,300	135,501
Loss on disposal of asset	3,952	-
Deferred income tax expense (benefit)	(190,100)	103,612
Provision for gains on accounts receivable	-	(7,000)
Changes in operating assets and liabilities:		
Accounts and other receivables	(386,192)	(269,513)
Prepaid expenses	(60,076)	9,664
Accounts payable and accrued expenses	485,833	216,076
Deferred revenue	34,137	(115,911)
Net cash flows from (for) operating activities	<b>(581,033)</b>	72,710
<b>Investing activities:</b>		
Property and equipment expenditures	(73,251)	(195,669)
Net cash flow for investing activities	<b>(73,251)</b>	(195,669)
<b>Financing activities:</b>		
Net proceeds from short-term borrowings	111,028	286,240
Proceeds from issuance of long-term debt	85,000	-
Principal repayments on long-term debt and capital leases	(89,297)	(90,407)
Net proceeds from due to stockholders	255,320	250,362
Net cash flows from financing activities	<b>362,051</b>	446,195
<b>Net increase (decrease) in cash</b>	<b>(292,233)</b>	323,236
<b>Cash-Beginning</b>	<b>402,378</b>	79,142
<b>Cash - Ending</b>	<b>110,145</b>	402,378
<b>Supplement disclosures cash flows information:</b>		
Interest Paid	60,036	38,938
<b>Supplement schedules of non cash investing and financial activities:</b>		
Purchase of property and equipment	217,601	195,669
Less: Capital lease obligations incurred	144,350	-
<b>Property and equipment Expenditures</b>	<b>73,251</b>	<b>195,669</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.

**Deferred 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, a change in the method of accounting for the prior year for tax purposes from the cash method to the accrual method, and net operating losses.

**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**

Accounts receivable at March 31 consists of:	2004	2003
Accounts receivable - trade (see Note 12)	\$ 916,296	\$ 849,252
Accounts receivable - related party (see Note 7)	323,918	4,770
	<u>1,240,214</u>	<u>854,022</u>
Less: allowance for doubtful accounts	15,000	15,000
Total	<u>\$ 1,225,214</u>	<u>\$ 839,022</u>

Bad debt expense charged to operations for the years ended March 31, 2004 and 2003 was \$-0- and \$8,816, 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	2004		2003	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Office equipment	\$ 842,138	\$ 495,544	\$ 816,859	\$ 527,901
Telephone equipment	751,040	503,189	567,724	290,626
Idle equipment	151,725	75,863	151,725	75,863
Leasehold improvements	19,047	5,319	16,889	4,121
	<u>1,763,950</u>	<u>\$ 1,079,915</u>	<u>1,553,197</u>	<u>\$ 898,511</u>
Less: accumulated depreciation	1,079,915		898,511	
Total	<u>\$ 684,035</u>		<u>\$ 654,686</u>	

Depreciation expense charged to operations for the years ended March 31, 2004 and 2003 was \$ 184,300 and \$ 135,501 respectively.

Equipment with a book value of \$75,862 at March 31, 2004 is temporarily not in use.

**Note 4 : Short-Term Borrowings**

The Company has two lines of credit with banks that total \$610,000. Borrowings against the lines are payable on demand and interest is due monthly at the bank's prime rate plus .5% (prime was 4.0% at March 31, 2004). The lines are secured by equipment, furnishings, and accounts receivable and are guaranteed by the stockholders of the Company. The Company has \$212,732 available at March 31, 2004.

**Note 5 : Long-term Debt**

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.

	2004	2003
	\$ 284,356	\$ 264,140
Less: current portion	60,077	48,567
<b>Long-Term Portion</b>	<u><b>\$ 224,279</b></u>	<u><b>\$ 215,573</b></u>
Maturities of long-term debt are as follows:		
2005	\$ 60,077	
2006	73,455	
2007	75,857	
2008	70,037	
2009	4,930	
Total	<u>\$ 284,356</u>	

**Note 6 : Income Taxes**

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

	2004	2003
Current tax expense	\$ 112	\$ 914
Deferred tax expense (benefit)	(190,101)	103,612
Total Income Tax Expense (Benefit)	<u>\$ (189,989)</u>	<u>\$ 104,526</u>

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

	2004		
	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>
	2003		
	Current	Long Term	Total
Depreciation	\$ -	\$ 13,704	\$ 13,704
Section 481 adjustment	12,866	77,042	89,908
Total	<u>\$ 12,866</u>	<u>\$ 90,746</u>	<u>\$ 103,612</u>

For federal income tax purposes, the Company has available a net operating loss carryforward of \$924,482 expiring in various years through 2024. For New York State income tax purposes, the Company has available a net operating loss carryforward of \$859,194 expiring in various years through 2024.

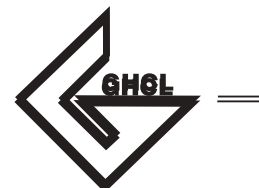
**Note 7 : Related Party Transactions**

At March 31, 2004 and 2003, 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>	2004	2003
Due To Stockholder - Represents a loan earning interest at .5%, which is due on demand.	\$ -	\$ 250,362
Due To Stockholder - Represents a loan earning interest at 4%, which is due on April 30, 2005	\$ 505,682	\$ -
Accounts Receivable from related party (included in accounts Receivable on the Balance Sheet)	<u>\$ 323,918</u>	<u>\$ 4,770</u>
Accounts Payable to related party (included in Accounts Payable on the Balance Sheets)	<u>\$ 529,397</u>	<u>\$ 159,725</u>

**Income and expenses**

Outside Telemarketing Expense - The Company subcontracts services from a stockholder to perform telemarketing and market research on their behalf	\$ 1,429,340	\$ 695,999
Interest Expense to Stockholders	<u>\$ 5,682</u>	<u>\$ -</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:

	2004	2003
Telephones	\$ 161,411	\$ 57,166
Computers	34,490	<u>77,994</u>
	195,901	135,160
Less: accumulated depreciation	36,083	46,372
<b>Net Book Value</b>	<b>\$ 159,818</b>	<b>\$ 88,788</b>

Future minimum lease payments, together with the present value of the net minimum lease payments as of March 31, 2004 are as follows:

2005	\$ 49,583
2006	37,978
2007	37,978
2008	37,978
2009	6,330
Total minimum lease payments	169,847
Less: amount representing interest	23,996
Net Present Value of Minimum Lease Payments	\$ 145,851

The interest rates on the Capital lease obligations range from 7.74% to 12.9% and are imputed base on the lower of the Company's incremental borrowing rates of 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, 2004 and 2003 was \$258,652 and \$199,170, respectively.

Minimum future rental payments under operating leases having initial terms in excess of one year as of March 31, 2004, for each of the next five years and in the aggregate are:

2005	\$ 275,242
2006	269,857
2007	253,702
2008	253,702
2009	219,232
Total	\$ 1,271,735

**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, 2004 and 2003 amounted to \$ 13,142 and \$9,397, 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 \$100,000.

**Note 12 : Economic Dependency**

The Company sells a substantial portion of its services to two customers. During the year ended March 31, 2004, sales to those customers aggregated \$4,308,489. At March 31, 2004, amounts due from those customers included in trade accounts receivable were \$381,381 (see Note 2).

**SUPPLEMENTAL INFORMATION**

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

Schedule - I	US Dollars	
	2004	2003
<b>Cost of sales:</b>		
Salaries	1,991,971	2,086,524
Outside telemarketing expense	1,912,815	845,506
Telephone	268,189	280,507
Payroll taxes	188,426	207,505
Insurance and employee benefits	145,761	125,424
Marketing research	140,642	78,402
List purchases	96,179	65,723
Telephone look up	51,108	177,050
Direct overhead	14,291	22,530
Total Cost of Sales	<u>4,809,382</u>	<u>3,889,171</u>

**Schedule of Administrative Expenses  
For the Year Ended March 31, 2003**

Schedule - II	US Dollars	
	2004	2003
<b>Administrative expenses:</b>		
Administrative wages	1,970,147	1,382,449
Officers' salaries	268,821	265,980
Rent	258,652	199,170
Payroll taxes	199,810	151,204
Depreciation	184,300	135,501
Insurance and employee benefits	167,041	109,746
Temporary help	159,950	4,695
Travel and meals	159,023	109,020
Office	141,811	139,511
Telephone	71,632	51,375
Accounting and legal	55,258	80,563
Recruiting	29,211	29,166
Payroll preparation	22,048	20,487
Printing and copies	21,987	10,883
Pension expense and administration fees	14,706	13,739
Employee benefits	13,575	10,041
Seminars and training	9,726	22,274
Trade shows and conferences	9,170	18,650
Advertising and marketing	9,046	13,241
Repairs and maintenance	8,842	28,150
Miscellaneous	5,040	1,942
Bad debts	-	8,816
Computer services	-	8,025
Total Administrative Expenses	<u>3,779,796</u>	<u>2,814,628</u>



**Colwell & Salmon Communications, Inc.**

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting to you the 2nd Annual Report of the Company together with Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2004.

**FINANCIAL RESULTS**

The summary of the financial performance for the period ended 31<sup>st</sup> March 2004 is given below:

	(Rs. in Lac)
Income from Services	662.84
Profit / (Loss) before interest	(465.39)
Interest	8.61
Net Profit / (Loss)	(474.00)

This being the first year of operations (commercial operations commenced on July 01, 2003) no previous year's figures are available

**REVIEW OF OPERATIONS**

The company has commenced its operations by providing lead generations, telesales and market research services to US based customers of Colwell & Salmon Communications, Inc, USA (C&S USA). The company has also ventured into Australian and UK market. The company has been able to stabilize its operations in B2B lead generation and market research segments for US market. The company is now focusing on to stabilize its operations in the area of mortgage lead generation for UK market and telesales for Australian & UK market.

**MARKETING**

Currently majority of our revenue comes from US market. C&S USA has intensified its marketing efforts by opening a sales office in New York City with a focus of the service delivery from India. The sales team has also been recruited for generating more and more business with India focus and also for blended service delivery from India and USA. The company has completed some pilot programs for lead generation for financial service sector. Based on the success of these pilot programs, the company is witnessing a major growth opportunity in this sector in UK market and is in the process of negotiating the contracts with large companies.

**FINANCE**

During the period the company has issued 6,99,950 fully paid up equity shares of Rs.10 each to its parent company GHCL Limited (formerly known as Gujarat Heavy Chemicals Limited). The company has also availed the unsecured loan of Rs 138.48 Lac from GHCL Ltd, its parent company.

**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**

The Board of Directors has co-opted Mr. Sanjay Dalmia and Mr Anurag Dalmia as the additional directors of the company. 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. Sanjay Dalmia and Mr. Anurag Dalmia as Directors of the Company. In accordance with the Companies Act, 1956 and the Company Article of Association Mr. S.K.Mukerjee is retiring at the ensuing annual general meeting being eligible, offers himself for re-appointment. The board recommends his re-appointment.

During the year Mr Atul Lal Chief Executive Officer of the company was appointed as wholetime director. He has resigned from the directorship of the company. The Directors place their gratitude for the services rendered by Mr Atul Lal.

**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 company has no such employee who is required to be reported under Section 217 (2A) of The Companies Act 1956 read with the Companies (Particulars of Employees), Rules 1975.

**AUDITORS**

Rahul Gautam Divan & Associates, the auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting. They have given their consent to continue to act as the auditors of the Company for the current year, if re-appointed.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 of the Companies Act, the Directors hereby confirm that:

- a. the financial statements have been prepared on a going concern basis. In the preparation of the financial statements the Generally Accepted Accounting Principles (GAAP) of India and applicable Accounting Standards issued by the Institute of Chartered Accountants of India have been followed along with proper explanations relating to material departures;
- b. 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 of the company as at the end of the financial year and of the loss of the company for that period;
- c. 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.
- d. Rahul Gautam Divan and Associates, Chartered Accountants, the Statutory Auditors have audited the financial statements and their report is appended thereto.

**ACKNOWLEDGEMENT**

The directors express their gratitude to GHCL Limited, Exim Bank, UTI Bank, IDBI Bank, Canara Bank, STPI and various other agencies for the co-operation extended to the company.

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

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

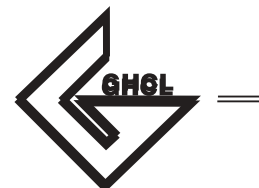
Place: Noida  
Date: June 22, 2004

SANJAY DALMIA  
CHAIRMAN

**ANNEXURE I TO THE DIRECTORS' REPORT**

- (A) CONSERVATION OF ENERGY : Not Applicable  
 (B) TECHNOLOGY ABSORPTION : Not Applicable  
 (C) FOREIGN EXCHANGE EARNING AND OUTGO

Earning in foreign exchange (Rs. in lacs) : 533.24  
 Foreign Exchange outgo (Rs. in lacs) : 200.13



**Colwell & Salmon Communications, Inc.**

**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 2004 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, 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 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2004 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 2004;
    - 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

**Rahul Divan**  
Partner

Place: Mumbai  
Date: 1<sup>st</sup> May, 2004

**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 2004.

- (i) The Company has no fixed assets as at the balance sheet date.
- (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/from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

- (iv) According to the information and explanations given to us, the internal control procedures with regard to purchases of inventories, fixed assets and with regard to the sale of goods, if any, are commensurate with the size of the Company and the nature of its business.
- (v) According to the information and explanations given to us, there are no transactions that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(v)(b) of the Order is not applicable.
- (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 2004. We are informed that no order has been passed by the National Company Law 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, Customs Duty and any other statutory dues applicable to it. There are no undisputed statutory dues as referred to above as at 31 March 2004 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, Wealth tax, Customs Duty and any other statutory dues applicable to it, 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 2004, and information and explanations given to us, we report that funds raised on a short term basis 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 2004. Accordingly, paragraph 4(xix) of the Order is not applicable.
- (xx) During the year ended 31 March 2004, 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 2004.

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

Place: Mumbai  
Date: 1<sup>st</sup> May, 2004

**Rahul Divan**  
Partner


**Colwell & Salmon Communications, Inc.**
**BALANCE SHEET AS AT 31ST MARCH, 2004**

Schedules	As at 31.03.04 (Rs in lac)	As at 31.03.03 (Rs in lac)
<b>SOURCES OF FUNDS</b>		
<b>Shareholder's Funds</b>		
Share Capital	75.00	5.01
<b>Loan Funds</b>		
Secured Loan	264.17	0.00
Unsecured Loans	138.48	1.79
<b>Total</b>	<b>477.64</b>	<b>6.80</b>
<b>APPLICATION OF FUNDS</b>		
<b>Current Assets, Loans and Advances</b>		
Sundry Debtors	237.09	0.00
Cash and Bank Balances	47.08	1.78
Loans and Advances	19.73	3.00
	303.90	4.78
<b>Less: Current Liabilities and Provisions</b>		
Liabilities	295.19	0.37
Provisions	7.09	0.00
	302.28	0.37
<b>Net Current Assets</b>	<b>1.62</b>	<b>4.41</b>
<b>Miscellaneous Expenditure</b>		
(to the extent not written off or adjusted)		
Profit & Loss Account	474.00	0.00
<b>Total</b>	<b>477.64</b>	<b>6.80</b>
<b>Notes on Accounts</b>	10	

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 Rahul Gautam Divan & Associates Chartered Accountants	S.K.Mukherjee Director	Atul Lal Director & Chief Executive Officer
Rahul Divan Partner	P.Sampath Director	C.M.Sharma Chief Financial Officer
Date : 1st May, 2004 Place : Mumbai	Date : 1st May, 2004 Place : Noida	Bhuvneshwar Mishra Company Secretary

**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED ON 31ST MARCH, 2004**

Schedules	2003-04 (Rs in lac)
<b>INCOME</b>	
Export-Services	494.54
Domestic-Services/Outsourcing Income	168.30
<b>TOTAL INCOME</b>	<b>662.84</b>
<b>EXPENDITURE</b>	
Personnel Expenses	473.35
Operating and Administrative Expenses	654.88
<b>SUB TOTAL</b>	<b>1128.22</b>
Loss before Interest and Depreciation	(465.39)
Financial Expenses	8.61
Loss before Depreciation	(474.00)
Depreciation	0.00
Loss for the period carried to the Balance Sheet	(474.00)
<b>Notes on Accounts</b>	10

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 Rahul Gautam Divan & Associates Chartered Accountants	S.K.Mukherjee Director	Atul Lal Director & Chief Executive Officer
Rahul Divan Partner	P.Sampath Director	C.M.Sharma Chief Financial Officer
Date : 1st May, 2004 Place : Mumbai	Date : 1st May, 2004 Place : Noida	Bhuvneshwar Mishra Company Secretary

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

	As at 31.03.04 (Rs in lac)	As at 31.03.03 (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 (Previous period 50,050) of Rs.10/-each fully paid up	75.00	5.01
	75.00	5.01

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

**SCHEDULE 2: SECURED LOANS**

	As at 31.03.04 (Rs in lac)	As at 31.03.03 (Rs in lac)
Foreign Currency Pre cum Post Shipment Credit from Exim Bank (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)	264.17	0.00
<b>Total</b>	<b>264.17</b>	<b>0.00</b>

**SCHEDULE 3: UNSECURED LOANS**

	As at 31.03.04 (Rs in lac)	As at 31.03.03 (Rs in lac)
Loan from GHCL Limited - the holding company	138.48	1.79
<b>Total</b>	<b>138.48</b>	<b>1.79</b>

**SCHEDULE 4: CURRENT ASSETS, LOANS AND ADVANCES**

	As at 31.03.04 (Rs in lac)	As at 31.03.03 (Rs in lac)
<b>CURRENT ASSETS</b>		
<b>Sundry Debtors</b>		
(Unsecured, considered good unless stated otherwise)		
Outstanding for a period over six months	0.00	0.00
Other debts	237.09	0.00
<b>Sub Total</b>	<b>237.09</b>	<b>0.00</b>
<b>Cash &amp; Bank Balances</b>		
Cash balance on hand	1.38	0.05
Balance with Scheduled Banks :		
In Current Accounts	45.45	1.48
In Fixed Deposit (Deposited with Government Department as Security Deposit)	0.25	0.25
<b>Sub Total</b>	<b>47.08</b>	<b>1.78</b>
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	16.27	3.00
Tax Deducted at Source	3.46	0.00
<b>Sub Total</b>	<b>19.73</b>	<b>3.00</b>
<b>Grand Total</b>	<b>303.90</b>	<b>4.78</b>



**Colwell & Salmon Communications, Inc.**
**SCHEDULE 5: CURRENT LIABILITIES & PROVISIONS**

	As at 31.03.04 (Rs in lac)	As at 31.03.03 (Rs in lac)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors for Expenses	81.89	0.04
Other Liabilities	210.58	0.33
Interest Accrued but not due	0.03	0.00
Advance Received from Customers	2.69	0.00
	<u>295.19</u>	<u>0.37</u>
<b>PROVISIONS</b>		
Leave Encashment	7.09	0.00
<b>Total</b>	<u>302.28</u>	<u>0.37</u>

**SCHEDULE 6: MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

	As at 31.03.04 (Rs in lac)	As at 31.03.03 (Rs in lac)
Preliminary Expenses	1.89	0.00
Add: Addition during the year	0.00	1.89
Less: Written off during the year	0.28	0.00
Sub Total	<u>1.61</u>	<u>1.89</u>
Pre-operative Expenses	0.49	0.00
Add: Addition during the year	0.00	0.49
Less: Written off during the year	0.07	0.00
Sub Total	<u>0.42</u>	<u>0.49</u>
<b>Total</b>	<u>2.02</u>	<u>2.38</u>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**
**SCHEDULE 7: PERSONNEL EXPENSES**

	2003-2004 (Rs in lac)	2002- 2003 (Rs in lac)
Salaries	411.15	0.00
Contribution to Provident Funds and other funds	24.23	0.00
Staff Welfare	30.04	0.00
Leave Encashment	7.92	0.00
<b>Total</b>	<u>473.35</u>	<u>0.00</u>

**SCHEDULE 8: OPERATING AND ADMINISTRATIVE EXPENSES**

	2003-2004 (Rs in lac)	2002- 2003 (Rs in lac)
Travelling and Conveyance	70.46	0.00
Rent	1.20	0.00
Auditors' Remuneration	0.48	0.00
Communication and Postage	5.12	0.00
Commission on Export Services	0.37	0.00
Legal, Professional & Consultancy	136.26	0.00
Recruitment Expenses	15.27	0.00
Printing & Stationery	3.46	0.00
Repair & Maintenance	0.19	0.00
Office Maintenance	0.44	0.00
Transportation Charges	69.58	0.00
Vehicle Hire Charges	1.90	0.00
Business Promotion	0.82	0.00
Business Outsourcing Expenses	274.59	0.00
Training Expenses	12.78	0.00
Preliminary Expenses w/off	0.28	0.00
Pre-operative Expenses w/off	0.07	0.00
Exchange Rate Fluctuation (Net)	11.34	0.00
Insurance Expenses	0.02	0.00
Overseas Marketing Expenses	38.26	0.00
Miscellaneous Expenses	11.99	0.00
<b>Total</b>	<u>654.88</u>	<u>0.00</u>

**SCHEDULE 9: FINANCIAL EXPENSES**

	2003-2004 (Rs in lac)	2002- 2003 (Rs in lac)
Interest	4.05	0.00
Bank Charges etc	4.63	0.00
	<u>8.68</u>	<u>0.00</u>
Less: Interest income	0.07	0.00
<b>Total</b>	<u>8.61</u>	<u>0.00</u>

**SCHEDULE 10: NOTES ON ACCOUNTS**
**A) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**
**1. General**

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

**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.

**2. Preliminary Expenses**

Preliminary expenses are amortised/written off over a period of five years from the date of commencement of commercial operations.

**3. 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).

**4. 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.

**5. 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.

**6. 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.

**7. 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**

8 The company commenced its commercial operations on 1st July, 2003. Consequently, no comparative figures are available for the Profit & Loss Account for the previous period.

9. According to the information available, the company does not have any amount outstanding to suppliers registered as small scale undertakings.

10 The company has established Software Technology Park - 100% Export Oriented unit for providing I.T.enabled services at Noida. However, the company has not purchased any duty free capital goods under the scheme as at the Balance Sheet date.



**Colwell & Salmon Communications, Inc.**

	2003-04 (Rs in lac)	2002-03 (Rs in lac)
11 Auditors' Remuneration:		
Statutory Audit Fees	0.27	0.05
Tax Audit Fees	0.11	-
Certification Charges	0.09	-
Out of Pocket Expenses	0.01	-
12 Managerial Remuneration :		
Wholetime Director Salary	5.22	-
Contribution to Provident and Superannuation funds	1.41	-
Perquisites	8.49	-
Performance Bonus	12.00	-
Note : Approval has been taken from Company Law Board for the payment of above remuneration.		
13 Earnings in Foreign Exchange	533.24	0.00
14 Expenditure in Foreign Currency	2003-04 (Rs in lac)	2002-03 (Rs in lac)
Travelling	23.45	0.00
Professional/consultancy	89.33	0.00
Marketing Expenses	38.26	0.00
Performance Gurantee	38.70	0.00
Others	10.38	0.00
15 Sundry Debtors , Creditors and Advances are subject to confirmation and consequent adjustment, if any.		
16 Previous year's figures have been regrouped and reclassified wherever necessary.		

**CASH FLOW STATEMENT FOR THE PERIOD ENDED  
31ST MARCH, 2004**

	2003-04 (Rs in lac)	2002-03 (Rs in lac)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit/(loss) before tax and Extraordinary items	(474.00)	0.00
<b>Adjustment for :</b>		
Provision for Leave Encashment	7.09	0.00
Financial Expenses	8.61	0.00
<b>Operating Profit/(Loss) before Working Capital Charges</b>	(458.30)	0.00
<b>Adjustments for:</b>		
Current Assets & Loans and Advances	(253.82)	(3.00)
Liabilities	294.79	0.36
<b>Other Adjustments</b>		
Preliminary Expenses written off	0.28	(1.89)
Pre-operative Expenses written off	0.07	(0.49)
<b>Cash Generated from Operating activities</b>	(416.97)	(5.02)
Interest Paid	(8.58)	0.00
<b>Net Cash from Operating Activities</b>	(425.55)	(5.02)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest Received	0.00	0.00
<b>Net Cash used in Investing Activities</b>	0.00	0.00
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Equity Shares	70.00	5.01
Secured Loans	264.17	0.00
Unsecured Loans	136.69	1.79
<b>Net Cash used in Financial Activities</b>	470.85	6.80
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	45.30	1.78
Cash and Cash Equivalents as at 1st April (Opening Balance)	1.78	0.00
Cash and Cash Equivalents as at 31st March (Closing Balance)	47.08	1.78

NOTE : Figures in bracket represent Cash outflows.

Signatories to Schedule 1 to 10

As per our report attached For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	S.K.Mukherjee Director	Atul Lal Director & Chief Executive Officer
Rahul Divan Partner	P.Sampath Director	C.M.Sharma Chief Financial Officer
Date : 1st May, 2004 Place : Mumbai	Date : 1st May, 2004 Place : Noida	Bhwneshwar Mishra Company Secretary

As per our report attached For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	S.K.Mukherjee Director	Atul Lal Director & Chief Executive Officer
Rahul Divan Partner	P.Sampath Director	C.M.Sharma Chief Financial Officer
Date : 1st May, 2004 Place : Mumbai	Date : 1st May, 2004 Place : Noida	Bhwneshwar Mishra Company Secretary

**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, 2004
<b>II.</b>	<b>Capital Raised during the year ( Amount in Rs.'000)</b>				Right Issue :	7,000
	Public Issue :	Nil			Private Placement :	NIL
	Bonus Issue :	Nil				
<b>III.</b>	<b>Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)</b>				Total Assets	
	Total Liabilities				<b>Application of Funds</b>	
	<b>Sources of Funds</b>				Net Fixed Assets	0
	Paid-up Capital	7,500			Investments	0
	Reserves and Surplus	0			Net Current Assets	162
	Secured Loans	26,417			Deferred Tax Liability	0
	Unsecured Loans	13,848			Misc. Expenditure	0
					Pre-Operative Expenses	0
					Accumulated Losses	47,400
<b>IV.</b>	<b>Performance of Company (Amount in Rs.'000)</b>				Total Expenditure	113,684
	Turnover	66,284			Profit/(Loss) After Tax	(47,400)
	Profit/(Loss) Before Tax	(47,400)			Dividend Rate	Nil
	Earning per share in Rs.	-			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 2004, and the Consolidated Profit and Loss Account annexed thereto 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 believe 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.3.64 lakhs and total revenues of Rs.662.84 lakhs for the year ended 31<sup>st</sup> March, 2004.

We did not audit the financial statements of the other subsidiary, whose financial statements reflect total assets (net) of Rs.488.39 lakhs as at 31<sup>st</sup> March 2004, and total revenues of Rs.3577.66 lakhs for the year ended on that date. These financial statements have been audited by another auditor 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 and Accounting Standard – 23, Accounting for Investment in Associates 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, 2004;
- (b) in the 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 of the 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 : Mumbai  
Dated : 30<sup>th</sup> July, 2004



**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2004**

	Schedules		<b>As at 31.03.2004 (Rs in lacs)</b>	<b>As at 31.03.2003 (Rs in lacs)</b>
<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>12,545.88</b>	12,330.70	
			<b>22,054.72</b>	21,839.54
			<b>(26.93)</b>	51.46
<b>Minority Interest</b>				
<b>Loan Funds</b>				
Secured Loans	3	<b>15,614.06</b>	11,964.38	
Unsecured Loans	4	<b>372.14</b>	176.07	
			<b>15,986.20</b>	12,140.45
Deferred Tax Liability			<b>6,965.94</b>	7,551.06
<b>Total</b>			<b>44,979.93</b>	41,582.51
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
	5			
Gross Block		<b>67,915.35</b>	66,044.93	
Less : Depreciation		<b>32,244.11</b>	28,860.66	
Net Block		<b>35,671.24</b>	37,184.27	
Capital Work-in-Progress		<b>97.49</b>	514.35	
Advances against capital expenditure		<b>80.59</b>	16.73	
			<b>35,849.32</b>	37,715.35
<b>Investments</b>	6		<b>100.24</b>	1,125.99
<b>Current Assets, Loans and Advances</b>				
	7			
Inventories		<b>8,179.34</b>	6,599.79	
Sundry Debtors		<b>5,875.70</b>	4,491.19	
Cash and Bank Balances		<b>3,260.22</b>	2,035.02	
Loans and Advances		<b>5,565.88</b>	3,091.88	
		<b>22,881.14</b>	16,217.88	
<b>Less : Current Liabilities and Provisions</b>	8			
Liabilities		<b>13,373.52</b>	12,438.90	
Provisions		<b>1652.93</b>	2,499.19	
		<b>15,026.45</b>	14,938.09	
<b>Net Current Assets</b>			<b>7,854.69</b>	1,279.79
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)				
Deferred Revenue Expenses			<b>1,175.68</b>	1,461.38
<b>Total</b>			<b>44,979.93</b>	41,582.51

**Notes on Accounts**

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**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

P. Sampath  
Joint Managing Director

(C. V. Thakker)  
Partner

(Rahul Divan)  
Partner

Dr B.C.Jain

R. S. Jalan  
Joint Managing Director

H.H.Faruqi  
Directors

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

Place : Mumbai  
Date : 30th July, 2004

Place : New Delhi  
Date : 30th July, 2004


**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004**

		2003-04 (Rs. in Lacs)		2002-03 (Rs in lacs)
<b>INCOME</b>				
Sales		51,703.29	48,826.13	42,898.46
Less: Excise Duty & Sales Tax		<u>6,297.46</u>	<u>5,927.67</u>	3,437.35
Income from Services		4,237.97		357.22
Other Income	9	<u>812.83</u>		<u>357.22</u>
<b>TOTAL INCOME</b>		<b><u>50,456.63</u></b>		<b><u>46,693.03</u></b>
<b>EXPENDITURE</b>				
Manufacturing Expenses	10	26,017.53		22,799.41
Purchase of Trading Goods		1,786.47		700.97
Payments to and Provisions for employees	11	6,278.49		5,218.80
Administrative and Miscellaneous Expenses	12	4,156.85		3,645.96
Selling and Distribution Expenses	13	4,552.04		3,679.18
Excise Duty on Stock		112.12		57.66
(Increase)/Decrease in Stock	14	<u>(644.49)</u>		<u>470.01</u>
<b>SUB TOTAL</b>		<b><u>42,259.01</u></b>		<b><u>36,571.99</u></b>
Profit before Interest and Depreciation		8,197.62		10,121.04
Financial Expenses	15	<u>1,521.32</u>		<u>2,030.51</u>
Profit Before Depreciation		<u>6,676.30</u>		8,090.53
Depreciation		<u>3,587.12</u>		<u>3,075.57</u>
Profit Before Taxation		<u>3,089.18</u>		5,014.96
<b>Provision For Taxes</b>				
— Current Tax		1,620.02		357.72
— Deferred Tax		<u>(581.05)</u>		<u>81.50</u>
Profit For The Year after Tax		<u>2,050.21</u>		4,575.74
Less: Pre - Acquisition Profit		-	1.51	
Minority Interest		(66.62)	0.20	
Share of loss of Associates		-	0.36	2.07
Profit after Minority Interest & Share of loss of Associates		<u>2,116.83</u>		4,573.67
Balance brought forward from previous year		6,898.18		5,790.00
Share in Associates Post acquisition Loss upto 31.03.02		-		(0.09)
Balance of Loss of Subsidiary absorbed on Amalgamation		-		(1,135.25)
Arrears of Depreciation/Deferred Revenue Expenses for Earlier Years		<u>(312.63)</u>		-
Excess/(short) provision for Tax for earlier year		23.70		(6.73)
Debenture Redemption Reserve written back		-		985.48
Amount Available For Appropriation		<b><u>8,726.08</u></b>		<b><u>10,207.08</u></b>
<b>APPROPRIATIONS</b>				
Transfer to Debenture Redemption Reserve		157.85		341.66
Transfer to General Reserve		150.46		500.00
Proposed Dividend on Equity Shares		1426.33		2,187.03
Tax on Dividends		186.40		280.21
Balance Carried To Balance Sheet		<u>6,805.04</u>		<u>6,898.18</u>
		<b><u>8,726.08</u></b>		<b><u>10,207.08</u></b>
Earning per Share - Basic & Diluted		<b>2.23</b>		4.81

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**Notes on Accounts**

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**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

 P. Sampath  
Joint Managing Director

 (C. V. Thakker)  
Partner

 (Rahul Divan)  
Partner

Dr B.C.Jain

 R. S. Jalan  
Joint Managing Director

 H.H.Faruqi  
Directors

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

 Place : Mumbai  
Date : 30th July, 2004

 Place : New Delhi  
Date : 30th July, 2004



**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004**

	2003-2004 (Rs in lacs)	2002-2003 (Rs in lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and Extraordinary items	<b>3,089.18</b>	5,014.96
<b>Adjustment for :</b>		
Depreciation	3,587.12	3,075.57
Foreign Exchange Gain	(58.30)	(18.68)
Income from Investments	(72.23)	(29.09)
Income From Dividend	(0.11)	(0.86)
(Profit)/Deficit on Sales / Discarding on Fixed Assets (net)	(100.89)	106.56
Provision for Doubtful Debts	26.05	0.95
Provision for Leave encashment	55.92	26.08
Loss on Sale of Investments	400.44	-
Financial Expenses	1,521.32	2,030.51
	<b>5,359.33</b>	5,191.04
<b>Operating Profit before Working capital Changes</b>	<b>8,448.51</b>	10,206.00
<b>Adjustments for :</b>		
Trade & other Receivables	(3,875.51)	(1,001.23)
Inventories	(1,579.55)	(53.57)
Trade payables	1,378.50	208.57
	<b>(4,076.56)</b>	(846.23)
<b>Other Adjustments</b>		
Deferred Revenue Expenditure (to the extent not written off)	285.70	(252.00)
	<b>4,657.65</b>	9,107.77
<b>Cash Generated from Operations</b>	<b>4,657.65</b>	9,107.77
Direct taxes paid	(1,601.83)	(669.23)
	<b>3,055.82</b>	8,438.54
<b>Net cash from Operating Activities</b>	<b>3,055.82</b>	8,438.54
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(4,855.26)	(2,234.33)
Sale of Fixed Assets	2,440.98	98.78
Purchase of Investments	625.30	933.20
Acquisition of Subsidiaries/Advances in Subsidiaries	-	(1,075.85)
Income from Investments	72.23	29.09
Interest Received	81.44	115.72
Dividend Received	0.11	0.86
	<b>(1,635.20)</b>	(2,132.53)
<b>Net cash used in Investing Activities</b>	<b>(1,635.20)</b>	(2,132.53)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Borrowings	5,885.80	850.00
Repayment of Secured Loans	(2,236.12)	(3,513.13)
Proceeds from Unsecured Loan	250.00	(251.87)
Repayment of Unsecured Loan	(53.93)	-
Gain on Exchange	58.30	18.68
Interest and Finance Charges Paid	(1,651.78)	(2,248.45)
Dividend and Tax thereon Paid	(2,447.69)	(2,332.33)
	<b>(195.42)</b>	(7,477.10)
<b>Net Cash used in Financial Activities</b>	<b>(195.42)</b>	(7,477.10)
<b>Net Increase/Decrease in Cash and Cash Equivalentents (A+B+C)</b>	<b>1,225.20</b>	1,171.09
Cash and Cash Equivalentents as at 1st April (Opening Balance)	2,035.02	3,167.42
Cash and Cash Equivalentents taken over on Acquisition	-	38.69
Cash and Cash Equivalentents as at 31st March (Closing Balance)	<b>3,260.22</b>	2,035.02

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

P. Sampath  
Joint Managing Director

(C. V. Thakker)  
Partner

(Rahul Divan)  
Partner

Dr B.C.Jain

R. S. Jalan  
Joint Managing Director

H.H.Faruqi  
Directors

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

Place : Mumbai  
Date : 30th July, 2004

Place : New Delhi  
Date : 30th July, 2004


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

	<b>As at 31.03.2004 (Rs in lacs)</b>	<b>As at 31.03.2003 (Rs in lacs)</b>
<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**

	<b>As at 31.03.2004 (Rs in lacs)</b>	<b>As at 31.03.2003 (Rs in lacs)</b>
<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>1,663.39</b>	2,307.21
Transfer from Profit and Loss Account	<b>157.86</b>	341.66
	<b>1,821.25</b>	2,648.87
Transfer to Profit and Loss Account	<b>-</b>	985.48
	<b>1,821.25</b>	1,663.39
<b>CAPITAL REDEMPTION RESERVE</b>		
	<b>1,000.00</b>	1,000.00
<b>INVESTMENT ALLOWANCE RESERVE</b>		
	<b>1,086.00</b>	1,086.00
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	<b>1,641.93</b>	1,141.93
Transfer from Profit and Loss Account	<b>150.46</b>	500.00
	<b>1,792.39</b>	1,641.93
<b>PROFIT AND LOSS ACCOUNT</b>		
Balance as per account annexed	<b>6,805.04</b>	6,898.18
<b>Total</b>	<b>12,545.88</b>	12,330.70



**SCHEDULE 3 : SECURED LOANS**

	<b>As at 31.03.2004 (Rs in lacs)</b>	<b>As at 31.03.2003 (Rs in lacs)</b>
<b>DEBENTURES</b>		
14% Non Convertible Debentures	<b>167.00</b>	334.00
13.50% Non Convertible Debentures	<b>1,334.00</b>	-
13% Non Convertible Debentures	<b>1,500.00</b>	1,500.00
13.5% Non Convertible Debentures	<b>2,750.00</b>	2,750.00
15% Non Convertible Debentures	-	2,000.00
<b>FROM BANKS</b>		
Working Capital Loans	<b>3,912.43</b>	233.34
<b>FROM OTHERS</b>		
Rupee Term Loans - IDBI	-	2,508.10
Foregn Currency Term Loans - Financial Institutions	<b>1,777.00</b>	2,500.00
Rupee Term Loans - Exim Bank	<b>2,934.00</b>	-
Foreign Currency Term Loans - Banks	<b>1,175.87</b>	125.86
Foreign Currency Loan- Lease	<b>63.76</b>	12.40
Hire Purchase Loans	-	0.68
	<b><u>15,614.06</u></b>	<b><u>11,964.38</u></b>

**Notes:**

1. a) 14% Non-Convertible Debentures are privately placed with Central Bank of India will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 7th year from the date of allotment i.e. 8th December 1997.
- b) 13.50% Non-Convertible Debentures are privately placed with Unit Trust of India and will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 7th year from the date of allotment i.e. 15th May, 1998 and 17th August, 1998.
- c) 13% Non-Convertible Debentures Series - III 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) All the above Non-Convertible Debentures except 10% (Rs. 2750 Lacs) Non-Convertible Debentures as disclosed in (e) below 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 ranking pari-passu with the charge referred to in note 1 (a) above and hypothecation of specified movable assets of Soda Ash Division.
- e) 10% Non-Convertible Debentures are privately placed with Financial Institutions and will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 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 in Gujarat, both present and future ranking pari-passu with the charge referred to in note 1(a) and 2 (d) above and hypothecation of specified movable assets of Soda Ash Division. Interest rate in respect of NCD placed with LIC, GIC, NIC, OIC and UIIC has been reduced from 13.5% to 10% during the year
2. a) Foreign Currency Loan from IDBI has been secured against first mortgage on the specified movable and immovable properties of Soda Ash Division at (1) Village Sutrapada & Kadwar, Veraval in Gujarat (2) Noida in U.P (3) Ahmedabad properties and hypothecation of specified movable assets of the Company, both present and future. During the year outstanding Term Loan with IDBI has been converted into Foreign Currency Loan effective from 7th May 2003 & repayable quarterly in equal installment from 1st July 2003
- b) Foreign currency loan of Rs 230.61 Lacs from Exim Bank is secured by first exclusive charge by way of equitable mortgage on immovable properties of edible salt division situated at (i) Village Shelwali, Maharashtra (ii) Village Thiruporur, Tamil Nadu and Hypothecation of specified movable assets both present and future of the Company's edible salt division. During the year outstanding Term Loan with Exim Bank has been converted into Foreign Currency Loan effective from 8th April 2003 and repayable in six monthly equal installments starting from 30th July 2003
- c) Foreign currency loan of Rs. 681.09 lacs from Exim Bank is secured by moveable fixed assets pertaining to GHCL's ITES Division named as Unit: Icon Data Management both existing and thereafter acquired. During the year outstanding term loan with Exim Bank has been converted into Foreign Currency Loan effective from 9th February 2004 and repayable in quarterly equal installments starting from 20th March 2004
- d) Rupee Term Loan of Rs. 2934 Lacs availed from Exim Bank is secured by exclusive first charge by way of 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.
3. Working Capital Loans 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.
4. Specified movable assets referred to in the above notes include all movable assets of Soda Ash Division (save and except





- book debts and assets acquired on Hire Purchase) 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.
- 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.
  - Foreign Currency loan 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.

**SCHEDULE 4 : UNSECURED LOANS**

	<b>As at 31.03.2004 (Rs in lacs)</b>	<b>As at 31.03.2003 (Rs in lacs)</b>
Fixed Deposits	<b>17.93</b>	101.84
Other Loans and Advances :		
Interest free Sales Tax loan	<b>57.92</b>	72.40
Loan from Bank	<b>250.00</b>	-
Others	<b>46.29</b>	1.83
<b>Total</b>	<b><u>372.14</u></b>	<u>176.07</u>

**SCHEDULE 5 : FIXED ASSETS**

Rs in Lacs

PARTICULARS	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK	
	As at 01.04.2003	Additions (Deletions)	As at 31.03.2004	As at 01.04.2003	Additions (Deletions)	As at 31.03.2004	As at 31.03.2004	As at 31.03.2003
<b>TANGIBLE ASSETS</b>								
Leasehold Land	600.62	0.01	600.63	65.35	5.92	71.27	529.36	535.27
Freehold Land	4973.34	64.53 (1071.75)	3966.12 0.00	0.00 0.00	0.00 0.00	0.00 0.00	3966.12 0.00	4973.34 0.00
Buildings	8121.77	224.63 (17.25)	8329.15	1662.92 0.00	204.09 (0.56)	1866.45 0.00	6462.70 0.00	6458.85 0.00
Plant and Machinery	48767.49	3209.95 (1522.61)	50454.83	25914.78 0.00	2860.29 (304.71)	28470.36 0.00	21984.47 0.00	22852.71 0.00
Furniture and Fixtures	748.75 0.00	6.66 (43.88)	711.53	268.54 0.00	45.51 (37.61)	276.44 0.00	435.09 0.00	518.40 0.00
Office Equipments	1274.41 0.00	72.71 (153.80)	1193.32	654.11 0.00	101.41 (142.95)	612.57 0.00	580.75 0.00	582.11 0.00
Vehicles	278.81	46.02 (47.11)	277.72	106.73 0.00	32.03 (30.48)	108.28 0.00	169.44 0.00	172.08 0.00
<b>INTANGIBLE ASSETS</b>								
Goodwill	1217.39	83.62	1301.01	162.50	260.20	422.70	878.31	1054.89
Salt Works Reservoirs and Pans		644.36	644.36	-	372.85	372.85	271.51	-
Software	62.35	37.97	100.33	25.73	17.46	43.20	57.13	36.62
Leased Mines	-	336.36	336.36				336.36	
<b>Total</b>	<b>66044.93</b>	<b>4726.82 (2856.40)</b>	<b>67915.35</b>	<b>28860.66</b>	<b>3899.76 (516.31)</b>	<b>32244.11</b>	<b>35671.24</b>	<b>37184.27</b>
Previous Year	61915.27	4402.67** (273.01)	66044.93	25350.15	3578.18 (67.67)	28860.66	37184.27	

- 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 value of advance has been apportioned to various assets as per the valuation report. The details are as follows. (See note No.4 of Schedule 16)

Particulars	Rs. in Lacs
Lease hold land	0.01
Freehold land	0.10
Buildings	36.80
Plant & Machinery	25.40
Furniture & Fixtures	2.26
Office Equipments	0.45
Vehicles	14.98
Salt Pans	370.00
<b>Total</b>	<b>450.00</b>

\*3. Current year depreciation includes arrears of depreciation and amortisation of Rs.312.63 lacs on the above assets. (See note No.4 of Schedule 16)

\*\*4. Previous year additions include assets acquired on amalgamation.



**SCHEDULE 6 : INVESTMENTS**

	<b>As at 31.03.2004 (Rs in lacs)</b>	<b>As at 31.03.2003 (Rs in lacs)</b>
<b>LONG TERM INVESTMENTS</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
NIL (Previous Year 1277800) Equity shares of Rs. 10/- each fully paid up of DSS Mobile Communications Limited sold during the year	-	146.95
NIL (Previous Year 3950000) Equity shares of Rs. 10/- each fully paid up of SDT Enterprises Private Limited sold during the year		395.00
Add: Goodwill	-	59.25
Less: Share of Loss	-	(0.45)
10 Equity Shares of Rs.10/- each fully paid up of Kodaikanal co-op stores limited (Rs.100)	-	-
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)	-	-
50 (Previous Year 100) 15.75% Secured redeemable Non Convertible Bonds of Rs. 50000 each of Krishna Bhagya Jal Nigam Ltd (Partly Redeemed during the year)	25.00	50.00
17.5% Rajasthan State Electricity Board Bonds (Face value Rs. 20.00 lacs) Redeemed during the year	-	19.50
15 15.5% Secured redeemable non convertible regular return Bonds of Rs. 100000 each of Sardar Sarovar Narmada Nigam Limited.	15.00	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
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</b>		
NIL Units of JM High Liquidity Fund - Growth (Previous Year 872260.192 units at Rs. 16.7381 sold during the Year)	-	146.00
NIL Units of Templeton India Treasury Management Growth (Previous Year 8008.918 at Rs. 1504.5728 per Unit (sold during the year)	-	120.50
NIL Units of Kotak Mahendra Liquid Institutional Plan - Growth (Previous Year 943021.6398 at Rs. 12.0888 per unit sold during the year)	-	114.00
	<b>100.24</b>	<b>1,125.99</b>
	<b>As at 31.03.2004</b>	<b>As at 31.03.2003</b>
	<b>Book Value</b>	<b>Book Value</b>
	<b>Market Value</b>	<b>Market Value</b>
Quoted	51.96	51.96
Others	48.28	1,074.03
	<b>100.24</b>	<b>1,125.99</b>



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

**DETAILS OF INVESTMENTS PURCHASED & SOLD DURING THE YEAR 2003-04**

Particulars of Investment	No. of Unit	Particulars of Investment	No. of Unit
Chola Triple Ace Institutional Cumulative	671368	Kotak Liquid Regular Plan Growth	303613
Chola Triple ACE Institutional Semi Annual Dividend	1344116	Kotak Mahindra Liquid Inst. Plan Growth	12622510
DSP MERILL LYNCH Floating Rate Fund Growth	5065093	Kotak Mahindra Liquid Plan Growth	321568
DSP MERILL LYNCH Liquidity Fund Growth	4726958	Kotak Mahindra Liquid Scheme Growth	3650775
DSP MERILL LYNCH Saving Plus Growth	182977	Principal Cash Management Fund Growth	278203
DSP MERILL LYNCH STP Growth	5558161	Prudential ICICI Flexi Income Plan- Growth	880879
DSP MERILL LYNCH STP Weekly Dividend	1498264	Prudential ICICI Flexible Income Plan Growth	220932
DSPML Floating Rate Fund Growth	9818999	Prudential ICICI Liquid Inst. Plan	5174083
DSPML Liquidity Fund Growth	161908	Prudential ICICI Liquid Plan	779117
DSPML Saving Plus Growth	214743	Reliance Monthly Income Plan	250000
DSPML Floating Rate Fund - Growth	4025256	Sundram Bond Saver- Dividend Half Yeraly	468810
DSPML Liquidity Fund Growth	2784325	Sundram Money Fund - Appreciation	666831
DSPML SAVING PLUS Growth	796089	TATA Income fund Appreciation - Bonus	241903
DSPML Short Term Fund Growth	6344180	TATA Liquid Fund Appreciation	175372
Franklin Templeton India Monthly Income Plan A	780570	Templeton Floating Rate Income Fund-STP Growth	7336815
Grindlays Cash Fund - Growth	6667400	Templeton India IBA inst. Growth	4325322
Grindlays Cash Fund Inst Plan B Growth	24872296	Templeton India STP Growth	49051
Grindlays Dynamic Bond Fund -Growth	1750991	Templeton India Treasury Management Account Growth	95758
Grindlays Floating Rate Fund - Growth	7908306	Zurich India High Interst Fund STP -Growth	895135
Grindlays Floating Rate Inst Plan B Growth	59965279	Zurich India Liquity Fund SP Growth	2147712
GSSIF - SHORT TERM GROWTH	2645300	DSP MERILL LYNCH Liquidity Fund Daily Dividend	3910843
HDFC Cash Management Fund SP Growth	3592619	DSP MERILL LYNCH STP Weekly Dividend	1201174
HDFC Floating rate Fund STP Growth	454403	Grindlays Cash Fund - Inst Plan B Daily Dividend	9182371
HDFC High Interest Fund - Growth Fund	110123	Grindlays Cash Fund Daily Dividend	47344
HDFC High Interest Fund STP Growth	1712813	GSSIF Short Term Monthly Dividend	2540574
IL&FS Bond fund -Institutional Plan( Annual Dividend Option)	3051911	HDFC Cash Management Fund Saving Daily Dividend	460682
IL&FS Liquid Account Growth Plan	1521021	HDFC Liquid Daily Dividend	1288209
IL&FS Liquid Account Inst. Plan (Growth Option)	862682	JM High Liquidity Fund Daily Dividend	3690589
JM Floter Short Term Plan Growth	5080309	JM High Liquidity Fund -Inst. Plan Dividend	4403588
JM High Liquidity Fund- Growth Plan	749565	JM Short Term Fund Dividend Plan	968880
JM High Liquidity Fund Inst. Plan Growth	17177042	JM Short Term Fund Inst. Dividend Plan	1993384
JM Income Fund Fund- Growth Plan	298686	Kotak Mahindra liquid Dividend	199732
JM Short Term Fund Inst. Plan Growth	11261055	Templeton India STP Weekly Dividend	20668
JM Short Term Fund Growth	1576230	Templeton India Treasury Management Acc. Dividend	12573
K Bond Short Term Plan Dividend	2558900	Templeton India Treasury Management Account Daily Dividend	43409
K Bond Short Term Plan Growth	7807648	Zurich India High Interest STP Dividend	951085
K Bond Unit 99 (Wholesale Plan) Growth	1230819	Zurich India Liquity Fund SP Daily Dividend	9768226
Kotak Income Plus - Growth	100000	<b>Total</b>	<b>288502125</b>

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

	As at 31.03.2004 (Rs in lacs)	As at 31.03.2003 (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	4,444.21	3,383.27
Finished goods	1,477.04	949.30
Stock in process	263.03	147.14
Stores and spares	1,995.06	2,120.08
<b>Total</b>	<b>8,179.34</b>	<b>6,599.79</b>
<b>Sundry Debtors (Unsecured, considered good unless stated otherwise)</b>		
Outstanding over six months		
Considered good	76.35	144.99
Considered doubtful	37.97	12.51
Provision for Doubtful Debts	(37.97)	(12.51)
<b>Total</b>	<b>76.35</b>	<b>144.99</b>
Other debts	5,799.35	4,346.20
<b>Total</b>	<b>5,875.70</b>	<b>4,491.19</b>
<b>Cash &amp; Bank Balances</b>		
Cash balance on hand	22.70	19.83
Balances with Scheduled Banks		
In Current Accounts	570.46	1,417.84
In Fixed deposit	265.74	381.43
In Margin Account	1,340.86	-
Remittances in transit	1,060.46	215.92
<b>Total</b>	<b>3,260.22</b>	<b>2,035.02</b>
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	4,925.48	2,493.98
Interest Accrued on Investments	4.18	8.22
Balances with Customs, Port Trust, Central excise etc.	278.00	240.50
Income Tax paid/Tax Deducted at Source (net of provisions)	347.22	338.18
Fixed Deposits with Sardar Sarover Narmada Nigam Ltd. (pledged with Collector of Bhavnagar Rs 6.00 lacs)	11.00	11.00
<b>Total</b>	<b>5,565.88</b>	<b>3,091.88</b>


**SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS**

	As at 31.03.2004 (Rs in lacs)	As at 31.03.2003 (Rs in lacs)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors for Goods and Expenses	5,580.11	4,431.11
Sundry Creditors for Capital Expenditure	428.33	898.67
Sundry Creditors-Small Scale Industrial Undertakings	9.98	9.66
Advances from Customers	439.62	313.86
Trade Deposits from Dealers	110.76	115.18
* Investor Education & Protection Fund shall be credited by		
-Unclaimed Dividend	219.44	199.89
-Unclaimed Fixed Deposits	17.26	25.78
-Interest Accrued on Unclaimed Fixed Deposits	3.43	3.48
Other liabilities	6,556.05	6,383.71
Interest accrued but not due	8.54	57.56
<b>Total</b>	<b>13,373.52</b>	<b>12,438.90</b>
<b>PROVISIONS</b>		
Wealth Tax	40.20	31.95
Proposed Dividends On Equity Shares	1,426.33	2,187.03
Tax on Dividends	186.40	280.21
<b>Total</b>	<b>1,652.93</b>	<b>2,499.19</b>

\* The figure reflects the position as of 31st March 2004. 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**

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Income on Investments (other than trade)	72.23	29.09
(Tax Deducted at Source Rs. 2.30 lacs, Previous Year Rs. 3.22 lacs)		
Dividend Income	0.11	0.86
(Tax Deducted at Source Rs. Nil, Previous Year Rs. 0.09 lacs)		
Gain on Exchange (net)	58.30	18.68
Profit on sale of assets (net)	243.63	-
Profit on sale of Investment	-	17.57
Recovery from Bad debts previously written off	1.05	2.65
Claims Received	-	114.28
Sundry Credit Balances Written back	12.67	82.33
Miscellaneous Income	424.84	91.76
<b>Total</b>	<b>812.83</b>	<b>357.22</b>

**SCHEDULE 10 : MANUFACTURING EXPENSES**

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Raw Materials Consumed	13,908.37	11,600.03
Stores and Spares	1,317.88	1,264.35
Repairs and Maintenance		
Machinery	704.92	713.92
Building	45.83	35.97
Others	76.28	67.33
	<b>827.03</b>	817.22
Power, Fuel and Water	6,941.07	6,967.92
Other Manufacturing Expenses	827.01	879.40
Packing Expenses	1,123.25	1,216.45
Operating Expenses for Services	1,072.92	54.04
<b>Total</b>	<b>26,017.53</b>	<b>22,799.41</b>


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

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Salaries, Wages and Bonus	5,081.72	4,293.84
Contribution to PF and other funds	905.83	709.16
Staff Welfare	235.02	189.72
Provision for Leave Encashment	55.92	26.08
<b>Total</b>	<b>6,278.49</b>	<b>5,218.80</b>

**SCHEDULE 12 : ADMINISTRATIVE AND MISCELLANEOUS EXPENSES**

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Travelling & Conveyance	797.41	607.73
Rent and Lease Rent	276.47	244.22
Rates and Taxes	76.71	45.69
Insurance	357.73	329.63
Auditors' Remuneration	24.97	11.17
Commission to Directors	110.71	121.72
Communication Expenses	188.29	307.05
Legal & Professional Expenses	568.83	777.83
Miscellaneous Expenses	739.43	768.99
Loss on sale of Investment	400.44	-
Deferred Revenue Expenditure Written Off	446.73	300.22
Bad Debts / Irrecoverable amounts written off (net)	0.34	24.20
Provision for Doubtful Debts	26.05	0.95
Deficit on Sales/ Discarding of Fixed Assets (net)	142.74	106.56
<b>Total</b>	<b>4,156.85</b>	<b>3,645.96</b>

**SCHEDULE 13 : SELLING AND DISTRIBUTION EXPENSES**

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Cash Discount	379.58	434.44
Freight and Forwarding	2,424.48	2,705.08
Commission on Sales	1,743.25	535.39
Rent on Godowns	4.73	4.27
<b>Total</b>	<b>4,552.04</b>	<b>3,679.18</b>

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

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
<b>Opening stock</b>		
Finished Goods	949.30	1,423.24
Trading Goods	-	21.94
Stock in Process	147.14	121.27
	<b>1,096.44</b>	<b>1,566.45</b>
<b>Closing 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>
(Increase)/Decrease in Stock	<b>(644.49)</b>	<b>470.01</b>

**SCHEDULE 15 : FINANCIAL EXPENSES**

	2003-04 (Rs in lacs)	2002-03 (Rs in lacs)
Interest - Fixed Loans	1,224.09	1,646.23
- Others	242.11	180.99
Other financial Charges	136.56	319.01
	<b>1,602.76</b>	<b>2,146.23</b>
Less : Interest Income	81.44	115.72
<b>Total</b>	<b>1,521.32</b>	<b>2,030.51</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 76% 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 Soda Ash, Salt, Yarn and IT enabled services. .

b The consolidated financial statements of the group have been combined on 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
C & S USA	USA	76

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.

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 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 subsidiary follows 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-a-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 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 represent the value of the services rendered during the period.

#### Fixed Assets and Depreciation

Fixed Assets are stated at cost net of cenvat less, depreciation. Depreciation is provided on straight-line method at the rates and in the manner prescribed under local laws. Continuous process plant under local laws 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.

Exchange difference adjusted to the cost of assets is depreciated equally over the balance useful life of the assets. Assets of insignificant value are charged to revenue. Lease relating to land are amortized equally over the period of lease.

#### 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 dimunition is made to recognise 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 difference 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 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 and 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 and Loss Account.. In the case of Yarn division, provision for gratuity has been made on the basis of actuarial valuation .

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

**Deferred Revenue Expenditure**

In terms of the Accounting Standard 26 - Intangible Assets, the carrying amounts of Deferred Revenue Expenditure are amortised/ 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 amortised as per the existing Accounting Policy.

**Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortisation.

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.

Other Intangible Assets are amortised over the useful life of the assets not exceeding ten years.

**Borrowing Cost**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of cost of such assets. The capitalisation 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 recognised 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 the ICAI.

**Taxation**

Income - tax expenses comprises current tax and deferred tax charge or credit. The deferred tax assets and liabilities are calculated by applying tax rate 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 recognised, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing difference are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to re-assess realisation

	<b>As at 31.03.2004 (Rs in lacs)</b>	<b>As at 31.03.2003 (Rs in lacs)</b>
3 (a) Estimated value of contracts remaining to be executed on Capital Account and not provided for.	<b>1212.80</b>	214.26
(b) Contingent Liabilities :		
(i) Guarantees issued by banks	<b>593.68</b>	539.97
(ii) Letters of Credit	<b>1564.15</b>	-
(iii) Bills discounted with banks (Since realised)	<b>949.33</b>	705.94
(iv) Claims against the Company not acknowledged as debts		
- Income Tax and Wealth Tax	<b>479.58</b>	347.14
- Sales Tax	<b>213.10</b>	213.10
- Excise matters	<b>114.14</b>	125.36
- Other claims	<b>273.24</b>	262.53
(v) Corportate Guarntee on Bank on behalf of subsidiaries of the Company	<b>1146.26</b>	205.41
(c) Outstanding Commitments on Finance Lease rentals	-	2.86
(d) Export obligation on duty free imports	<b>206.06</b>	1345.32
4 An amount of Rs 450 lacs paid as an advance towards purchase of Saltfields at Vedaranyam (Tamilnadu)has been apportioned to respective assets during the year as per the valuation report in view of the interim injunctions issued by Hon'ble High Court ,Madras in favour of the company Consequently, the depreciation / amortisation from the year of possession of the assets has been provided for including the arrears of depreciation / amortisation amounting to Rs.312.63 lacs.		
5 Provision for taxation includes Rs.3.00 lacs (Previous Year Rs. 2.00 lacs) for wealth tax and current income tax Rs.1617.02 Lacs (Previous Year Rs.355.72 Lacs) and deferred tax reversal of Rs 581.05 Lacs (Previous Year charge of Rs.81.50 Lacs).		
6 i) Fixed Deposits include Rs.14.62 lacs (Previous Year Rs.94.91 lacs) due within one year. ii) Interest Free Sales Tax Loan include Rs.14.48 lacs (Previous Year Rs.14.47 lacs) due within one year.		
7 Sundry Debtors, Creditors and Loans and Advances are subject to confirmation and consequential adjustment, if any.		
8 Investments in unquoted shares of DSS Mobile Communications Ltd and SDT Enterprises Pvt Ltd have been sold during the year.		
9 Borrowing costs capitalised during the year Rs. 3.05 Lacs (Previous Year Rs.23.45 lacs)		
10 The value of Finished Goods includes excise duty not paid Rs.112.12 lacs (Pervious Year Rs.57.66 lacs). This has however, no impact on the profit for the year.		



- 11 Pending completion of relevant formalities for transfer of some of the assets acquired pursuant to the Scheme of Amalgamation, in the name of the Company, such assets continue to be in the name of The Sree Meenakshi Mills Limited.
- 12 Pending registration of sale deed, Agreements for sale have been concluded in respect of 558 colony houses of Yarn Division at Madurai as on 31.03.2002 for a total sale consideration of Rs. 99.84 lacs and the Company has received the sum of Rs. 92.71 lacs towards sale consideration.
- 13 In terms of a scheme under which the company has availed subsidy of Rs.2.94 lacs for colony houses which are under sale, the Government has the right to recover the amount of subsidy together with interest thereon, if the stipulated conditions at the time of disbursements are not adhered to.
- 14 Loans & Advances includes Rs. 34000/- advance against accommodation paid to Director (previous Year - Rs. 34000). Maximum outstanding balance during the year Rs. 34000/- (Previous Year -Rs.34000) and lease rent includes Rs. 114000 paid to the Directors (Previous Year - Rs. 102000).

**15 Segment**

The company's operations predominantly relate to Manufacturing of Inorganic Chemicals, Yarn & IT enabled services. The Primary segment reporting is made based on Product basis i.e.Soda ash, Yarn & others. 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 categorised based on items that are individually identifiable to the segment, while the balance cost are categorised 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

	Soda Ash		Yarn		Others		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
<b>SEGMENT REVENUE</b>								
External Revenue	33,925.50	34,723.65	8,914.25	6,150.39	6,804.05	5,461.77	<b>49,643.80</b>	<b>46,335.81</b>
Inter Segment Revenue								
<b>Total Revenue</b>	<b>33,925.50</b>	<b>34,723.65</b>	<b>8,914.25</b>	<b>6,150.39</b>	<b>6,804.05</b>	<b>5,461.77</b>	<b>49,643.80</b>	<b>46,335.81</b>
<b>SEGMENT RESULT</b>	<b>6,111.41</b>	<b>6,971.17</b>	<b>25.32</b>	<b>2.27</b>	(1,630.46)	<b>(44.21)</b>	<b>4,506.27</b>	<b>6,929.24</b>
Unallocated Corp Expenses.(Net)							<b>708.60</b>	<b>240.98</b>
Operating Profit	<b>6,111.41</b>	6,971.17	<b>25.32</b>	2.27	<b>(1,630.46)</b>	<b>(44.21)</b>	<b>3,797.67</b>	<b>6,688.26</b>
Interest Expenses							<b>1,521.32</b>	<b>2,030.51</b>
Interest Income								
Other Income	458.72	243.90	288.26	60.58	(2.76)	4.38	<b>744.23</b>	<b>308.86</b>
Unallocated Corporate Other Income							<b>68.60</b>	<b>48.36</b>
<b>Total Other Income</b>	<b>458.72</b>	<b>243.90</b>	<b>288.26</b>	<b>60.58</b>	<b>(2.76)</b>	<b>4.38</b>	<b>812.83</b>	<b>357.22</b>
Profit from Ordinary Activities	6,570.13	7,215.07	313.58	62.86	(1,633.22)	(39.83)	<b>3,089.18</b>	<b>5,014.96</b>
Extraordinary Items								
<b>NET PROFIT BEFORE TAXES</b>	<b>6,570.13</b>	<b>7,215.07</b>	<b>313.58</b>	<b>62.86</b>	<b>(1,633.22)</b>	<b>(39.84)</b>	<b>3,089.18</b>	<b>5,014.96</b>
<b>OTHER INFORMATION</b>								
Segment Assets	35,680.01	32,467.62	15,080.03	12,099.00	6,659.99	7,114.21	<b>57,420.03</b>	<b>51,680.83</b>
Unallocated Corp. Assets							<b>1,410.67</b>	<b>4,839.78</b>
<b>Total Assets</b>	<b>35,680.01</b>	<b>32,467.62</b>	<b>15,080.03</b>	<b>12,099.00</b>	<b>6,659.99</b>	<b>7,114.21</b>	<b>58,830.70</b>	<b>56,520.61</b>
Segment Liabilities	13,594.82	8,918.77	2,400.50	2,604.02	2,769.88	927.79	<b>18,765.20</b>	<b>12,450.58</b>
Unallocated Corp. Liabilities							<b>19,213.39</b>	<b>22,230.50</b>
<b>Total Liabilities</b>	<b>13,594.82</b>	<b>8,918.77</b>	<b>2,400.50</b>	<b>2,604.02</b>	<b>2,769.88</b>	<b>927.79</b>	<b>37,978.59</b>	<b>34,681.08</b>
Capital Expenditure	803.27	533.56	2,012.00	1,668.62	1,882.91	1,401.11	<b>4,698.18</b>	<b>3,603.29</b>
Unallocated Capital Expenditure							<b>28.64</b>	<b>41.92</b>
<b>Total Capital Expenditure</b>	<b>803.27</b>	<b>533.56</b>	<b>2,012.00</b>	<b>1,668.62</b>	<b>1,882.91</b>	<b>1,401.11</b>	<b>4,726.82</b>	<b>3,645.21</b>
Depreciation	2,578.27	2,549.54	303.72	194.18	646.24	275.86	<b>3,528.23</b>	<b>3,019.58</b>
Unallocated Depreciation							<b>58.89</b>	<b>55.99</b>
<b>Total Depreciation</b>	<b>2,578.27</b>	<b>2,549.54</b>	<b>303.72</b>	<b>194.18</b>	<b>646.24</b>	<b>275.86</b>	<b>3,587.12</b>	<b>3,075.57</b>
Non-Cash Expenses other than Depreciation	176.86	297.01	89.54	51.95	70.20	31.35	<b>336.60</b>	<b>380.31</b>
Unallocated Non Cash Expenses other than Depreciation							<b>110.13</b>	<b>39.96</b>
<b>Total Non Cash Expenses other than Depreciation</b>	<b>176.86</b>	<b>297.01</b>	<b>89.54</b>	<b>51.95</b>	<b>70.20</b>	<b>31.35</b>	<b>446.73</b>	<b>420.27</b>




**GEOGRAPHICAL SEGMENT**

Particulars	India		Rest of The World		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Segment Revenue	40,409.71	34,080.76	9,234.09	12,255.05	<b>49,643.80</b>	<b>46,335.81</b>
Carrying Costs of Segment Assets	35,522.82	37,719.54	326.50	1,510.71	<b>35,849.32</b>	<b>39,230.25</b>
Additions to Fixed Assets and Intangible Assets	4,629.66	3,320.52	97.15	93.70	<b>4,726.82</b>	<b>3,414.22</b>

**16. Related Party Transactions:**

- a Associates :**  
SDT Enterprises Private Limited
- b Key Management Personnel:**  
S K Mukherjee, Managing Director  
P Sampath, Sr. Executive Director  
R S Jalan, Sr. Executive Director  
Tej Malhotra, Executive Director -Works  
N S Ramachandran, Executive Director - Marketing  
K K Ahuja, Executive Director - HR
- c Relative of Key Management Personnel:**  
Sashi Malhotra, w/o Tej Malhotra  
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, 2004**

Sl. No	Type of Transactions	Associates	Key Management Personnel	Relative of Key Management Personnel
1	Purchase or Sale of Fixed Assets		- (0.06)	
2	Leasing & Hire purchase transactions		1.14 (1.02)	1.31 (1.02)
3	Finance: - Advances for Rental Accommodation		- (0.34)	
4	Remuneration		181.60 (178.99)	
5	Balances as on 31st March, 2004 - Investments  - Advances for Rental Accommodation	- (454.25)	0.34 (0.34)	

Figures in brackets relate to year ended 31st March, 2003

**17. Deferred Tax**

	As at 01.04.2003	Current Year Charge/(Credit)	As at 31.03.2004
a) Deferred tax liability on account of:			
i) Depreciation	7,168.29	(397.94)	6,770.35
ii) Others			
Deferred Revenue Expenditure	368.66	(65.71)	302.95
U/s 481 Of USA	42.84	(87.18)	(44.34)
	<b>7,579.79</b>	<b>(550.83)</b>	<b>7,028.96</b>
b) Deferred tax assets on account of:			
i) Employee Benefit	4.82	(0.44)	4.38
ii) State & Central Taxes & Cess	23.91	34.73	58.64
	<b>28.73</b>	<b>34.29</b>	<b>63.02</b>
<b>TOTAL</b>	<b>7,551.06</b>	<b>(585.12)</b>	<b>6,965.94</b>

Current Year charge/credit includes Previous Year impact of Rs. 4.07 lacs

**18. Managerial Remuneration**

	2003-2004	2002-2003
(a) Wholtime Directors		
Salaries	<b>74.32</b>	71.47
Contribution to Provident and Superannuation funds	<b>13.51</b>	10.99
Perquisites	<b>18.86</b>	17.54
Gratuity & Leave encashment	<b>2.41</b>	2.27
Commission	<b>72.50</b>	76.72
(b) Other Directors		
Sitting Fees	<b>3.40</b>	4.05
Commission	<b>38.21</b>	45.00



**19. 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 ICAI.

**a Voluntary Retirement Scheme expenses**

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

**20. Intangible Assets**

Intangible Asset comprises of expenditure incurred during the year on the items meeting the definition as per the provisions of AS 26

**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 Leased Mines**

Start up expenses of Lignite Project shall be written off in ten years after the commencement of Commercial Production

**d Goodwill**

Goodwill is amortised over a period of five years.

**21. Earnings per Share**

**2003-04**                      2002-03

Earnings per Share has been computed as under:

a Profit after Taxation (Rs. in Lakhs)	<b>2,116.83</b>	4,573.67
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>2.23</b>	4.81

22. The Company's name has been changed from GUJARAT HEAVY CHEMICALS LIMITED to GHCL LIMITED with effect from 21st Nov 2003.

23. Sundry Creditors includes Rs.9.98 lacs due to small scale industrial undertakings ( Previous Year Rs. 3.82 Lacs) to the extent identified from the records of the company as outstanding for more than 30 days from the following parties.

	Rs. Lacs
- Balaji Packagings	3.35
- Gowtham Paper Products	3.45
- Priya Textile Cones	3.18

24. Current year figure's are not comparable with previous year due to effect of amalgamation of ICON Data Management Limited effective 1st February, 2003.

25. 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

(C. V. Thakker)  
Partner

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

(Rahul Divan)  
Partner

Sanjay Dalmia

Dr B.C.Jain

H.H.Faruqi  
Directors

Place : New Delhi  
Date : 30th July, 2004

P. Sampath  
Joint Managing Director

R. S. Jalan  
Joint Managing Director

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

Place : Mumbai  
Date : 30th July, 2004



**ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORMAT**

To  
 Intime Spectrum Registry Limited  
 RTA: GHCL LIMITED  
 B-13, Pannalal Silk Mills Compound  
 LBS Marg, Bhandup (West)  
 Mumbai - 400078

Dear Sirs,

**FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND**

Please fill - in the information in CAPITAL LETTERS in ENGLISH ONLY. Please TICK wherever is applicable.

For shares held in physical form

For office use only

Master folio no.		ECS reference No.
------------------	--	-------------------

For shares held in electronic form

DP Id	
CL Id	

Name of first holder	
Bank Name	
Branch Name	
Branch Code	

9 Digits Code Number appearing on the MICR Band of the Cheque supplied by the Bank). Please attached a Xerox copy of a cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the banks name, branch name and code number.

Account type      Saving       Current       Cash Credit

Account No. (as appearing in the cheque book)     

Effective Date this mandate     

I hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, GHCL Limited and /or Intime Spectrum Registry Limited, will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by RBI/GHCL Limited.

I further undertake to inform the Company any change in my Bank/branch and account number.

Signature of the first holder

Date

Note: On dematerialization of existing physical shares, for which you have availed ECS facility, the above form needs to be re-submitted.





**NOMINATION REQUEST FORM**

<b>INTIME SPECTRUM REGISTRY LIMITED</b> (RTA : GHCL LIMITED) B-13, PANNALAL SILK MILLS COMPOUND, L B S MARG, BHANDUP (WEST) MUMBAI - 400078	<b>From</b>
---	-------------

No. of Shares	Folio No.	
---------------	-----------	--

I am /we are holder (s) of Shares of the Company as mentioned above. I/we nominate the following person (s) in whom all rights of transfer and /or amount payable in respect of shares shall vest in the event of my /our death.

Nominee's Name	Age
	dd                      mm                      yy

Date of birth to be furnished in case the nominee is a minor

Guardian's Name						
Occupation of Nominee (Tick)	1	Service	2	Business	3	Student
	4	Household	5	Professional	6	Farmer
	7	Others				

Nominee's Address:

Telephone No.	Fax No.
Email Address	STD Code

Specimen Signature of Nominee / (In case nominee is a minor ) Guardian

Kindly take aforesaid details on record  
 Thanking you

Yours faithfully

Name of all holder (s) (as appearing on the Certificate (s))	Signature as per specimen recorded with the Company
Sole/1st Holder	
2nd Holder	
3rd Holder	

**Signature of two witnesses**

Name and Address	Signature with date
1	
2	



**INSTRUCTIONS:**

- 1 Please read the instructions given below very carefully and follow the same to the letter. If the form is not filled as per instructions, the same will be rejected.
- 2 The nomination can be made by individuals only. This facility is not available to non individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of power of attorney. If the shares are held jointly all jointholders must sign ( as per specimen registered with the Company) the nomination form.
- 3 A minor can be nominated by a holder of shares and in that event the name and address of the Guardian shall be given by the holder.
- 4 The nominee can not be a society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, or power of attorney holder. A Non - Resident Indian can be a nominee on re-patriable basis.
- 5 Transfer of share( s) in favour of a nominee and repayment of amount to nominee shall be a valid discharge by a Company against the legal heir (s).
- 6 Only one person can be nominated for a given folio
- 7 Details of all holders in a folio need to be filled; else the request will be rejected.
- 8 The nomination will be registered only when it is complete in all respects including the signature of (a) all registered holders (as per specimen lodged with the Company) and (b) the nominee.
- 9 This nomination will stand rescinded whenever the shares in the given folio are entirely transferred or dematerialised.
- 10 Upon receipt of a duly executed nomination form, the Registrar and Transfer Agent of the Company will register the form and allot a registration number. The registration number and folio number should be quoted by the nominee in all future correspondence.
- 11 The nomination can be varied or cancelled by executing fresh nomination form.
- 12 The Company will not entertain any claims other than those of a registered nominee, unless so directed by any competent Court.
- 13 The intimation regarding nomination/nomination form should be filed **in duplicate** with the Registrar and Transfer Agents of the Company who will return one copy thereof to the Shareholders.
- 14 For shares held in dematerialised mode nomination is required to be filed with the Depository Participant in their prescribed form.

<b>FOR OFFICE USE ONLY</b>
Nomination Registration Number
Date of Registration
Checked by and Signature of employee



**GHCL Limited**

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

**ATTENDANCE SLIP**

I hereby record my presence at the Twenty First 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.

**GHCL Limited**

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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 First Annual General Meeting of the Company, to be held on Friday, the 24<sup>th</sup> day of September, 2004 and at any adjournment thereof.

Signed this ..... day of ..... 2004

Reference Folio:/DPID/CL.ID

No. of Shares: .....

Signature

Affix Re. 1 Revenue stamp
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**Note:** The Proxy Form should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of Meeting.

# Book-Post

If undelivered, please return to:

**GHCL Limited**

GHCL House, Opp. Punjabi Hall  
Navrangpura, Ahmedabad-380 009

