

THE RIGHT
DIRECTION

24th Annual Report 2006-07



GHCL Ltd.

PERFORMANCE

AT A GLANCE

Net
Sales /Income

10,832.70*

Gross
Profit

2,870.69*

Profit
after Tax

1,482.78*

* (Rs. in Million)

Net Sales /Income
Gross profit before interest and depreciation
Interest
Profit before depreciation and preliminary expenses
Depreciation / Preliminary expenses written off
Profit before Tax
Provision for Taxation – Current
Provision for Taxation – Deferred
Fringe Benefit Tax
Profit after Tax
Balance brought forward from last year
Arrears of Depreciation/ Deferred revenue expenditure for earlier years/ provision for earlier years not required
Excess/ (short) provision for tax for earlier years
Debenture Redemption Reserve written back
Investment Allowance Reserve written back
Amount available for appropriation
Appropriations
General Reserve
Proposed Dividend
Tax on Dividend
Balance carried to Balance sheet



GHCL Ltd.

Period Ended March 31, 2007 (15 months) (Rs. in Million)	Year Ended Dec., 31 2005 (9 months) (Rs. in Million)
10,832.70	4,822.86
2,870.69	1,395.71
187.58	78.00
2,683.11	1,317.71
587.14	296.83
2,159.73	1,020.88
249.14	300.59
413.27	-9.76
14.54	8.74
1,482.78	721.31
1,349.06	912.92
4.15	(12.01)
(14.15)	3.89
91.67	55.34
108.60	-
3,022.11	1,681.45
148.50	72.18
268.89	228.21
45.70	32.00
2559.02	1,349.06



INDUSTRY LEADER

It is our endeavor to attain industry leadership position in the global soda ash business. Going forward, company's strategy is to be present in all the four major soda ash zones of the world which constitutes of China, USA and Eastern Europe along with India in order to serve its customers better.

GHCL being the innovation Leader in soda ash manufacturing has uniquely positioned itself to replicate the Indian success to other soda ash zones of the world.

The strong management team has a focused model to implement turnaround & growth strategies to put GHCL on the fast track growth.

Expanded domestic
capacity to 8.5 lacs MTPA

GHCL's Global
capacity-11.5 lacs MTPA



GLOBAL PLAYER

GHCL has strengthened its position in the developed markets of the west and has made strong inroads into the newer customers/clients base while consolidating the relationship with the existing ones in the home textile industry.

The successful integration of the Indian and foreign operations has put the company into the newer orbit of globally respected players in the area of our businesses. The strength of our operations and encouraging levels of customer demand across the markets that we serve has given us a confidence to be more aggressive to increase the market share

The company made excellent progress in the execution of its planned strategies

Significant breakthroughs in both soda ash & home textiles

Global recognition and acceptance to the business model



CONSTANT LEADERSHIP

In order to position & maintain its leadership, GHCL would be at the forefront of a global Home textiles and soda ash industry by capitalising on the growth opportunities available therein.

The key driver would be the rightful integration of people and assets to continuously improve productivity and efficiency. The company would continue to invest in new facilities and building people skills to service new geographic and product markets.

GHCL would continue to invest in people and new business areas within the existing sectors that the company operates in through acquisition and organic business development.



Mark Dyson



Sanjay Purohit



Ben Shoaf



Sunil Bhatnagar



Damien Morris



Ravi Jalan



P Sampath



Tej Malhotra



Nikhil Sen



Raman Chopra



CHANGING MARKETS

The company has made excellent progress in the execution of its planned strategies for growth, operational excellence, financial performance and transformation. The acceptance of the strategy by the stakeholders across the geographic locations has given a new vigor in our approach towards them.

In the times to come GHCL would transcend newer frontiers across geographies to create wealth for the stakeholders.

The company have relationships and presence in

- India
- USA
- Europe
- UK
- China
- Turkey
- Pakistan
- Mexico
- Cambodia





C O N T E N T S

Board of Directors	1
Chairman Statement	3
Notice	5
Director's Report	9
Management Discussion And Analysis	13
Corporate Governance Report	33
Auditors' Report	43
Balance Sheet	45
Profit & Loss Account	46
Cash Flow Statement	47
Schedules Forming Part of the Balance Sheet and Profit & Loss Account	48
Notes on Accounts	57
Statement u/s 212 of The Companies Act, 1956	69
CONSOLIDATED FINANCIAL STATEMENT :	
Auditors' Report	72
Consolidated Balance Sheet	73
Consolidated Profit & Loss Account	74
Consolidated Cash Flow Statement	75
Schedules Forming Part of the Consolidated Balance Sheet and Profit & Loss Account	76
Notes to the Consolidated Financial Statement	89



BOARD of DIRECTORS

SANJAY DALMIA
Chairman

ANURAG DALMIA

NEELABH DALMIA

DR. B C JAIN

JAGDISH CAPOOR

H H FARUQI

NARESH CHANDRA

G A TADAS
Nominee (IDBI)

R W KHANNA
Nominee (Exim Bank)

MAHESH KHERIA
(Alt. to Mr. S H Ruparell)

P SAMPATH & R S JALAN
Managing Director

TEJ MALHOTRA
Sr. Executive Director (Operations)

COMPANY SECRETARY
BHILW/NESHWAR MISHRA

REGISTERED OFFICE
"GHCL House"
Opp. Punjabi Hall,
Navrangpura
Ahmedabad - 380 009
(Gujarat)

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

MAJOR SUBSIDIARIES

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

AUDITORS
Jayantilal Thakkar & Co.
Rahul Gautam Divan & Associates

WORKS

SODA ASH

↔ Village - Sutrapada, Near Veraval, Distt. Junagarh - 362 275. Gujarat

SALT REFINERIES

↔ Ayyakaramulam Kadinalvayal - 614 707. Distt. Nagapattinam, Tamilnadu
↔ Nemeli Road, Thiruporur - 603 110. Tamilnadu

TEXTILES

↔ Samayanallur P O Madurai -625 402
↔ Thaikesar Alai P O Manaparai - 621312
↔ S. No.191, 192, Mahala Falia, Village Bhilad,
Distt. Valsad, Gujarat-396105, India

ITES

↔ C-39, Sector - 58, Noida

ENERGY DIVISION

↔ Muppandal, Irukkandurai Village Sankaneri
Post Radhapuram Taluk, Tirunelveli District Tamilnadu
↔ Chinnaputhur village, Dharapuram Taluk, Erode District, Tamil Nadu

BANKERS / FINANCIAL INSTITUTION

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

SHARE TRANSFER AGENTS

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

CHAIRMAN'S STATEMENT

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

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

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

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

Financials and acquisitions

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

Soda Ash

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

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

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

Home Textiles

In the textiles area in the year gone, your company made three substantial overseas acquisitions which include, Best Manufacturing Group, HW Baker of USA and Rosebys Retail of UK. The company is now the only integrated home textiles player in the world where its

global retail home textiles business has established an annual revenue platform of over US \$615 Million per annum.

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

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

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

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

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

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

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

The economic environment

The economic environment has remained favorable during the period under review, with strong demand and improving manufacturing activity supporting the

brighter growth outlook. Consumer and retail confidence has surged, while business confidence has risen to a record peak. We anticipate seeing the benefits of the changes in the longer term and our operations are already positioning themselves at the forefront to maximize opportunities.

Outlook

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

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

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

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

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

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



SANJAY DALMIA
Chairman



”

NOTICE

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

ORDINARY BUSINESS

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

SPECIAL BUSINESS:

8. Re-appointment of Mr. R S Jalan as Managing Director

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

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

RESOLVED FURTHER that the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may deem necessary,

proper and expedient to give effect to this resolution."

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

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

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

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

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

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

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

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

NOTES

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

(both days inclusive).

(3) The dividend as recommended by the Board of Directors will be paid to those members whose names appear on the Company's Register of Members on July 23, 2007. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership furnished by National Securities Depositories Limited (NSDL) and Central Depositories Services (India) Limited (CDSL) for this purpose.

(4) The relevant details of directors seeking reappointment under Items No. 3 to 6, as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges is given herein below.

(a) Mr. S H Ruparell (DOB - December 5, 1931) is a Director of the Company. He is an expert in Corporate Laws and Solicitor authorized to administer Oath in UK. He is not a member or Chairman of any Board or committee, other than GHCL Limited. He does not hold any shares in the Company.

(b) Dr. B C Jain (DOB - October 8, 1938) is a Director of the Company. He is LL. B, ACCS, Ph. D. and Fellow member of Institute of Chartered Accountants of India and his area of specialization is Finance, Banking and Accounting. He is a Chairman of Audit Committee, Member of the Remuneration and Project Committee of the Company. He is not a member or Chairman of any Board or committee, other than GHCL Limited. He does not hold any shares in the Company.

(c) Mr. H H Faruqi (DOB - June 20, 1941) is a Director of the Company. He is M. Com., LL. B. He is a Member of Audit Committee, Remuneration and Project Committee of the Company. He is not a member or Chairman of any Board or committee, other than GHCL Limited. He does not hold any shares in the Company.

(d) Mr. Tej Malhotra (DOB - June 9, 1950) is a Sr. Executive Director (Operations) of the Company. He has 34 years of experience in Engineering, Manufacturing and General Management. Mr. Malhotra is neither a member of more than 10 Committees nor a Chairman of more than 5 Committees. He is on the Board of S C GHCL Upsom, Romania S.A. Mr. Malhotra does not hold any shares in the Company.

(5) Members are requested to notify immediately any change of address to their Depositories Participants (DPs) in respect of their electronic share accounts and to the Share Transfer Registrar of the Company in respect of their physical share folios, if any.

(6) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the

Company will not entertain any direct request from such members for deletion or / change in such bank details. Further instruction, if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depositories Participants.

(7) Members are requested to send their queries, if any, at least seven days in advance of the meeting so that the information can be made available at the meeting.

(8) All documents referred to in the Notice and Explanatory Statement is available for inspection at the Registered Office of the Company during the business hours on all working days of the Company up to the date of the Annual General Meeting.

(9) Members attending the Meeting are requested to complete the enclosed slip and deliver the same at the entrance of the meeting hall.

(10) Persons attending the Annual General Meeting are requested to bring their copies of Annual Reports as the practice of distribution of copies of the report at the meeting has been discontinued.

(11) Dividend for the financial year March 31, 2001, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government (IEPF) in the month of October 2008 pursuant to provisions of Section 205A of the Companies Act, 1956. Members who have not en-cashed their dividend warrant (s) for the financial year ended March 31, 2001 or any subsequent financial year (s), are requested to lodge their claims with Intime Spectrum Registry Ltd (ISRL). However, in respect of unclaimed dividend for the financial year ended March 31, 2001 only those claims, which are received by ISRL on or before August 31, 2008, will be entertained. Members are advised that once the unclaimed dividend is transferred to IEPF no claims shall lie in respect thereof.

(12) Electronic Clearing Service (ECS) Facility: With respect to payment of dividend, the Company provides the facility of ECS to all shareholders, holding shares in electronic and physical forms.

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

Item no. 8

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

Mr. R S Jalan, born on October 10, 1957, is a graduate in Commerce and Fellow member of Institute of Chartered Accountants of India and having a very wide experience in Corporate Finance and Textiles. Mr. R S Jalan has more than 30 years of industrial experience.

Mr. R S Jalan is a Director on the Board of Dan River Inc. USA, GHCL Rosebys Ltd UK, Rosebys Operations Ltd. UK, Rosebys Holdings Ltd. UK, Rosebys (2004) Ltd. UK, Rosebys Unlimited UK, Best Textiles International Ltd. USA, Best Real Properties Inc. USA, Sumedha Investments Pvt. Ltd. and Sachin Holdings Pvt. Ltd. He is a member of Shareholders Grievance Committee of the Company and he does not hold any shares in the Company. Mr. R S Jalan fulfills the eligibility criteria set out under Part I of Schedule XIII to the Companies Act, 1956. The remuneration payable to Mr. R S Jalan is in line with the Uniform remuneration package payable to Whole time Directors and Managing Director. This approved remuneration package is also in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

1. **Basic Salary:** Rs. 3,40,000/- per month, which may be increased by such amount as the Board may determine from time to time within the overall approval given in Uniform Remuneration Package as approved by the members.
2. **Perquisites:** Mr. R S Jalan shall also be entitled to the perquisites covering Housing, Medical Reimbursement, Leave, Leave Travel Concession, Club Fee, Personal Accident Insurance, conveyance, Telephone as approved under the Uniform Remuneration Package.
Except Mr. R S Jalan none other directors are interested in the resolutions. Your Board recommends the above resolution for your approval.

Item No. 9

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

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

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

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

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

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

1. Basic Salary;

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

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

The breakup of perquisites is as follows:

2.1 Housing:

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

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

2.2 Medical Reimbursement:

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

2.3 Leave:

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

2.4 Leave Travel Concession:

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

2.5 Club Fee:

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

2.6 Personal Accident Assurance:

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

2.7 Conveyance:

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

2.8 Telephone:

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

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

(a) Provident Fund:

As per Rules of the Company.

(b) Superannuation:

As per Rules of the Company.

(c) Gratuity:

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

(d) Encashment of Leave:

Encashment of leave at the end of the tenure.

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

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

4. Minimum Remunerations:

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

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

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

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

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

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

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

DIRECTORS' REPORT

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

OPERATIONAL RESULTS

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

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

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

PERFORMANCE HIGHLIGHTS

Soda Ash

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

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

Home Textiles

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

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

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

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

With the above acquisitions, your company is the only globally integrated home textiles player having a complete value chain from spinning to retail and has established an annual revenue platform of over US \$615 Million across the globe which will enable generation of cost advantage in manufacturing / sourcing, logistics and warehousing. The company has made considerable progress during the period in closing the unviable manufacturing operations of Dan River in USA and has integrated its supply requirements through offshore outsourcing arrangements in India, Pakistan and China. During the period, major focus was on integrating various acquisitions which are in the process of achieving stability. The benefits of these acquisitions will accrue in the following periods.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 2.70 per Equity Share for the period ended (fifteen months) March 31, 2007.

FINANCE

The Company had issued an aggregate of US \$80.5 million Foreign Currency Convertible Bonds (FCCBs) at a coupon rate of 1%. As per the price mechanism the bond can be converted at a price of Rs. 197.271 per share. Such conversion option is exercisable between September 2006 to March 2011. Your company wants to inform you that no notice of conversion of bond is received by the Company. The Company had also issued 45 lacs warrants convertible into equity shares on preferential basis to the promoter of the Company in accordance with SEBI (DIP) Guidelines.

During the period your Company had allotted 45 lacs equity shares of Rs. 10/- each against the conversion of 45 lacs preferential convertible warrants in accordance with SEBI (DIP) Guidelines. Due to conversion of these preferential warrants, the paid up share capital of the Company has been increased from Rs. 950.88 million to Rs. 995.88 million.

During the period your Company has transferred a sum of Rs. 0.45 million towards unclaimed dividend/unclaimed deposits alongwith interest thereon.

FIXED DEPOSITS

Your Company discontinued inviting, accepting and renewing of fixed deposits effective from September 24, 2002. However, unclaimed deposits of Rs. 0.035 million has been transferred to IEPF during the period, which is included in Rs 0.45 Million transferred, as stated above.

CHANGES IN AUTHORISED SHARE CAPITAL

During the period the Authorized Share Capital of the Company was increased from Rs. 1250 million to Rs. 1750 million.

EMPLOYEES STOCK OPTION SCHEME

The Company has Stock Option Scheme approved by shareholders and has not been implemented so far.

SUBSIDIARIES

During the period your Company through its overseas subsidiary had acquired various companies. The details of subsidiaries are contained in the statement made pursuant to Section 212 of the Companies Act, 1956, attached with this report.

Pursuant to the exemption Order received from Central Government vide letter no. 47/99/2007-CL-III dated March 22, 2007, the consolidated financial statement has been prepared and presented in this Annual Report as directed. Shareholders who wish to have a copy of the full report and accounts of the subsidiaries will be provided the same on receipt of a written request from them at the Registered Office of the Company. These documents will also be available for inspection by any shareholder at the Registered Office of the Company on any working day during business hours.

CONSOLIDATED FINANCIAL STATEMENTS

Your Directors have pleasure in attaching the Consolidated Financial Statements pursuant to Clause 32 read with Clause 41 of the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with Accounting Standard 21 (Consolidated Financial Statements) of Institute of Chartered Accountants of India, for fifteen months period ended March 31, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

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

CORPORATE GOVERNANCE

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

LISTING/DELISTING OF THE EQUITY SHARES/FCCBs

The equity shares of your Company are listed at Ahmedabad Stock Exchange Limited, (ASE), Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE). The annual listing fees for the year 2006-07 have been paid to all these Stock Exchanges. The application for voluntarily delisting of Company's ordinary shares is pending with The Calcutta Stock Exchange Ltd. (CSE). The Foreign Currency Convertible Bonds (FCCBs) issued by the Company are listed on the Singapore Stock Exchange.

DIRECTORS

Dr. B C Jain, Mr. H H Faruqi, Mr. S H Ruparell and Mr. Tej Malhotra, Directors retire by rotation and being eligible, offer themselves for re-appointment. The Board recommends their appointments at the ensuing Annual General Meeting. Mr. R S Jalan was re appointed as Managing Director for a period of five years with effect from June 7, 2007 subject to the approval of the shareholders.

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 are given in Annexure-I forming part of this 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 to this Report and forms part of the Report. However, as per the provisions of Section 219 (1)(b) (iv) of the Companies Act, 1956, the Report and the accounts are being sent to the 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.

STATUTORY AUDITORS

M/s Jayantilal Thakkar & Co., and M/s Rahul Gautam Divan & Associates the Joint Auditors of the Company, will retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received certificates from the auditors to the effect that their re-appointment, if made, would be in accordance with Section 224 (1B) of the Companies Act, 1956. The Board recommends their re-appointment.

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 2007-08.

AUDITORS OBSERVATIONS

The notes to accounts forming part of balance sheet as at March 31, 2007 and Profit and Loss Accounts for the period ended on that date, referred to in the auditors report are self explanatory and therefore do not call for any further comment U/s 217(3) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- in the preparation of the annual accounts for the fifteen months period ended March 31, 2007 the applicable accounting standards have been followed and there has been no material departure;
- appropriate accounting policies have been selected by them and applied the same consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2007 and of the profits of the Company for the fifteen months period ended March 31, 2007;
- the proper and sufficient care has been taken by them 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; and
- the annual accounts for the fifteen months period ended March 31, 2007 have been prepared by them on a going concern basis.

ACKNOWLEDGEMENT

The Directors express their gratitude to 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, 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/-

SANJAY DALMIA
Chairman

Date: June 16, 2007
Place: New Delhi

ANNEXURE I TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

a) Energy Conservation Measures Taken

- In the concept of installation of expanded capacity, several design changes done to improve the kiln performance so specific heat consumption reduces.
- To improve steam power balance on increased load, 22 bar steam operated boiler feed water pump introduced in the system
- Various steps initiated under energy conservation measures resulted into appreciable savings in its steam and power expenses.

b) Additional Investment & proposals, if any, being implemented for reduction of consumption of energy

- System improvement to maximize usage of lignite from captive sources.
- Boiler efficiency improvement by converting two stoker fired boilers to AFBC.
- Further improvement in Bicarb filtration system for reduction in Bicarb moisture.
- Gas Turbine at the new textile plant for reduction in consumption of Furnace Oil.

B. POWER & FUEL CONSUMED

		Period ended March 31, 2007 (15 months)	Period ended December 31, 2005 (9 months)
1 Electricity			
(i) Purchased Units (lacs kwh)		654.21	145.12
Total amount (Rs. lacs)		1,967.00	659.08
Rate per Unit (Rs.)		3.01	4.54
(ii) Own Generation			
(a) Through DG			
Units (lacs kwh)		165.78	6.76
Units per ltr of Diesel Oil		3.82	2.86
Cost per Unit (Rs.)		4.73	6.68
(b) Through TG			
Units (lacs kwh)		1,433.65	830.34
Cost per Unit (Rs.)		1.29	1.22
2 Coal			
Quantity (MT)		165,381.00	93,329.47
Total Cost (Rs. lacs)		5,347.40	2,990.46
Average Rate (Rs/MT)		3,233.38	3,204.20
3 Lignite			
Quantity (MT)		271,530.00	154,816.58
Total Cost (Rs. lacs)		1,908.51	1,323.56
Average Rate (Rs/MT)		702.87	854.92
4 Consumption per Unit of Production			
Electricity (kwh/MT)			
SODA ASH (MT)	667,487	218.56	212.59
SALT (MT)	104,405	32.84	37.40
YARN (MT)	9,921	6.09	3.09
CLOTH (Fabric '000 Meters)	8,495	1.84	-
Coal - Soda Ash (MT/MT)	667,487	0.25	0.24
Lignite - Soda Ash (MT/MT)	667,487	0.41	0.39

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 Chemis of the Netherlands has been fully absorbed.

3 Imported Technology

- Technology Import
Soda Ash manufacturing technology by Dry Process
- Year of Import
January 1984
- Has technology been fully absorbed?
Yes, the technology has been fully absorbed.
- 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 2007



Disclaimer:

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

Management discussion and analysis

The management of GHCL Limited presents the analysis of division-wise performance of the Company for the period ended March 31, 2007 and its outlook for the future. This outlook is based on assessment of the current business environment. It may vary due to future economic and other developments, both in India and abroad.

REVIEW OF ECONOMY

The Indian economy continued its high growth performance during the year 2006-2007, with GDP growing at 9% to reach US \$643.46 billion.

The world economy expanded by 5%, India along with China played a predominant role. Industrial recovery is driven mainly by manufacturing sector firmed up and broadened. The services sector which has grown @ 11.2%, share of 55.1% in the GDP as the main driver for growth. Agriculture sector grows at 2.7 per cent while its share in GDP dips to 18.5 per cent.

Food items, wheat, pulses, sugar driving inflation in the last 2 quarters of the year 2006-07. While interest rates continued to show a rise and rupee continued to strengthen against the USD during the year with an appreciation bias.



Capital flows remained strong; FDI was up 98.4 per cent in April-September 2006-07. The Core sector recorded growth 8.3 per cent vs. 5.5 per cent in April-December 2006-07.

The year was witness to large scale volatility in the commodity markets. The rising input costs led by higher interest rates were a cause for concern for most manufacturing businesses. Despite these developments, industry in India and particularly the manufacturing sector grew more than 9% from 8.5% in the previous year.

India's industrial production, which makes up a quarter of the economy, is being spurred by rising incomes and savings. Overseas companies are investing more in India to take advantage of growing demand.

The top five growth industries in the manufacturing sector are cement, steel, pharma, gems and jewellery and engineering, according to a study by a re-knowned research agency.

Note:- Figures quoted above have been referenced from Government sources.

COMPANY PERFORMANCE

PERFORMANCE HIGHLIGHTS

The Company performed well during the fifteen months period ended March 31, 2007.

Standalone

- **Revenue of the India business for the fifteen months** period ended March 31, 2007 has **risen by 35%** to Rs. 10832.70 million as against Rs. 8038.10 million (annualised) for the period ended December 31, 2005
- **Profit from Operations for fifteen months** period ended March 31, 2007 of **the India business** has **risen by 19%** to Rs.2870.69 million as compared to Rs. 2326.18 million (annualised) for the period ended December 31, 2005
- **PAT (Profit after Tax)** for fifteen months period ended March 31, 2007 of **the India business** up **23%** to Rs. 1482.78 million against 1202.18 million (annualised) for the period ended December 31, 2005

PERFORMANCE ANALYSIS

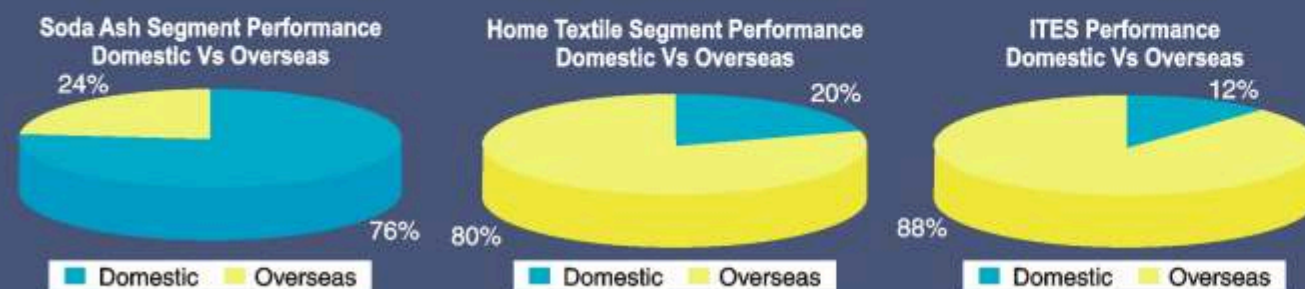
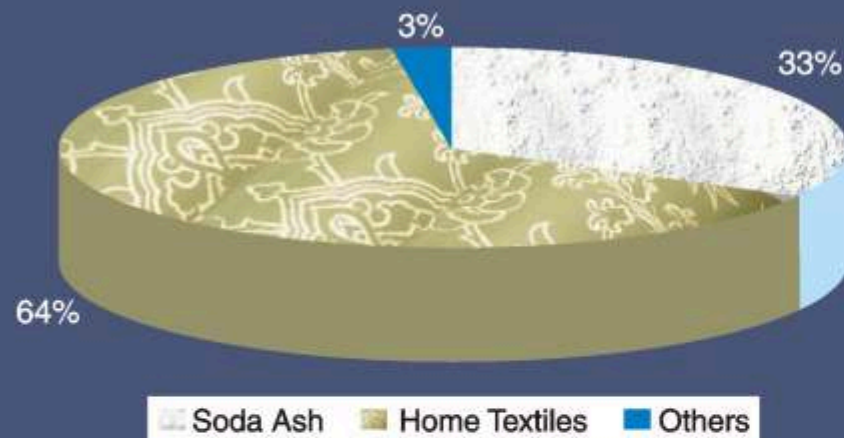
SEQUENTIAL PERFORMANCE

(For Last 5 Quarters)



SEGMENTAL PERFORMANCE

Consolidated Segment Reporting



SUMMARY

GHCL is a multi product progressive organization with a strong focus in soda ash & home textiles arena and strategic presence in ITES business. The soda ash and Home Textiles respectively account for 65% and 34% to the total revenue mix (stand alone basis) of the company. In the soda ash industry, GHCL is one of the leading player well-poised to tap opportunities in the dense soda ash business which contributes about **22 per cent** of the total revenues within Soda Ash, which contributes 65% of total Indian Stand alone revenue (Dense soda ash Constitutes 32% while 68% is light).

With the Completion of the first phase of expansion in the business in March 2007, the company has raised its domestic capacity by about 40 per cent from 6.0 lakhs to 8.5 lakhs tones, whereas over all capacity including the Romanian capacity (acquired in December 2005) has gone up to 11.5 lakhs tonnes. GHCL plans to further increase its domestic capacity by about 2.5 lakh tonnes to 11 lakh tonnes in the second phase.

GHCL makes dense soda ash, a key raw material used in the manufacturing of float glass, detergents, textiles, paper dyes and chemicals. The company also manufactures light soda ash, which is used in the detergents and chemical industries. Captive lignite mining provides GHCL an edge over other domestic soda ash manufacturers. The company also has a presence in Europe through its step down subsidiary in Romania. The Company believes that it is one of the lowest cost producers of soda ash in the country due to its captive supply of steam, power and its major raw materials including salt, limestone and coke.

Buoyed by the boom in the realty sector, a major consumer of float glass, the soda ash industry, the company is likely to maintain a healthy growth going forward.

In the home textiles arena, GHCL is the only fully integrated player in the world with presence across mill-to-consumer operation that includes manufacturing in India, Dan River, Best manufacturing Group and Baker Linen in the United States and the Rosebys retail chain in England.

In its textiles business, GHCL operates 115,000 yarn spindles at its two plants in South India, producing high quality yarn for the domestic and export markets. Home Textiles would be a key driver of growth and margin for the company in the coming years. GHCL has recently completed Rs. 2300 million investment program at its Vapi facility which involved building of a vertically-integrated facility to produce finished products, including bed linen and curtains. Post ramp up, the facility will produce 36 million metres of wide width fabric.

GHCL is operating in the IT-enabled services with a strategic intent of increasing the efficiencies of its overseas companies through outsourcing of the routine functions. The BPO division includes an Indian and a US

subsidiary provides mainly voice-based business process outsourcing (BPO) services, including market research (data collection, focus groups, business intelligence), customer acquisition (database services, channel marketing, sales) and customer support (help desk, order entry). Other than serving as an in-house division, it also has some big names in from the Fortune 100 companies.

The Company has performed well during the 15 months period ended March 31, 2007. All the major businesses reported growth in their revenues. The performance of the various business segments and the overall performance of the Company during this period ended March 2007 are detailed in the report.

INORGANIC CHEMICALS (SODA ASH) GLOBAL SODA ASH INDUSTRY



Demand-Supply Scenario

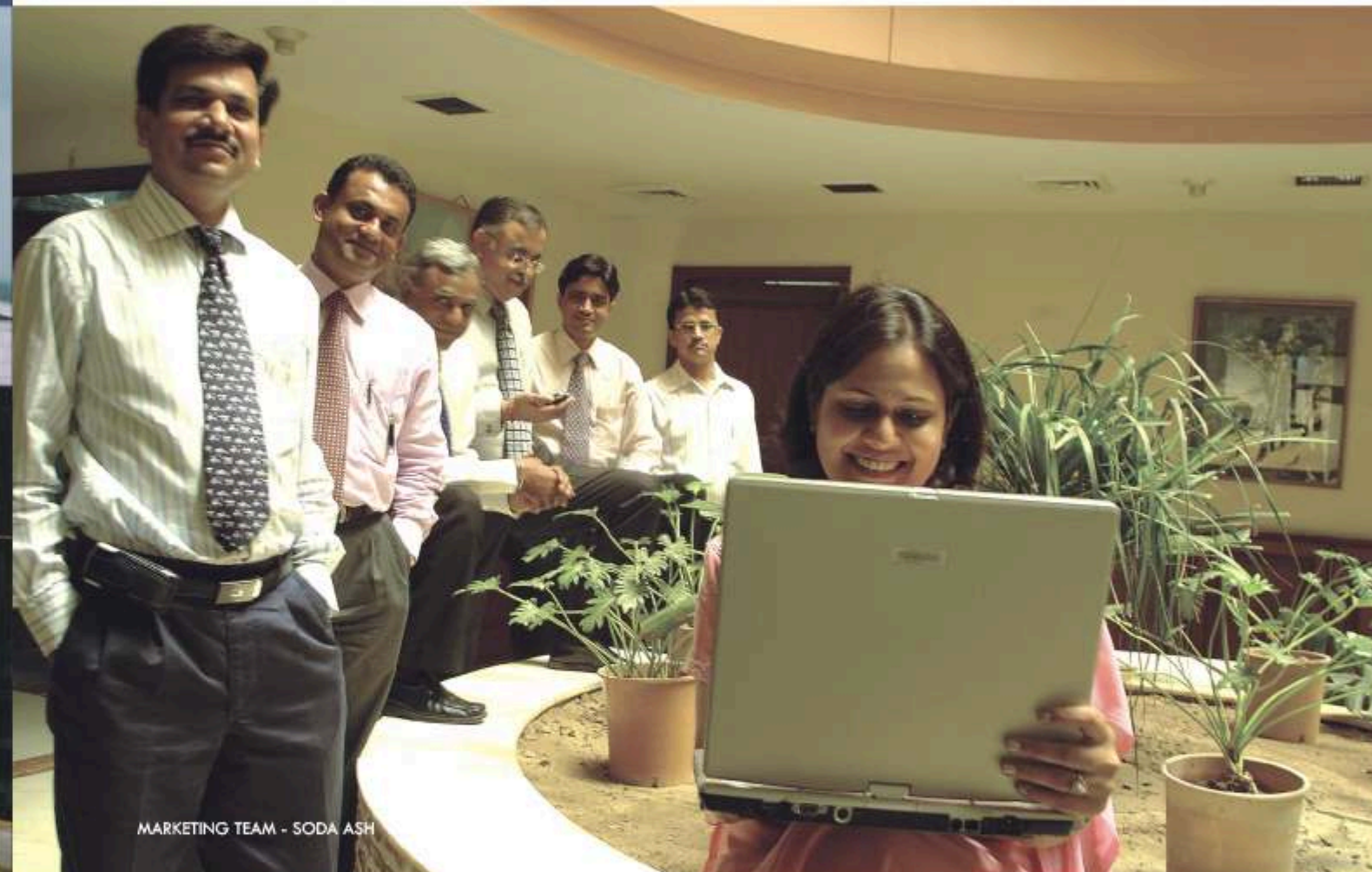
The global demand in the last few years averaged about 8 kg per person versus 7 kg per person in 2000. It is likely that the World demand would grow upto around 9 kg per person by 2010. Developed markets like US and Western Europe have per capita demand of 22 and 18 kg per person, respectively.

The low per capita demand levels are in the developing regions like China, India and Africa point to the enormous long-term demand in these regions. Japan is also a major user of soda ash due to developed automobile industry in the country.

years. China and Russia's capacities has grown more than that of the world aggregate. In fact, China contributed 68% to the total increase in soda ash capacities over the 10 year period from 1995-2005. Russia contributed about 6% to it.

US is exporting to the major markets. In developed countries viz. USA and UK, the impact of replacement of glass containers by plastic containers, increased use of cullet in glass production and stagnant industrial growth, restricted the capacity additions. Japan is increasingly sourcing its Soda Ash requirements from USA.

FMC is the largest player of natural soda ash and Solvay is the largest player in the synthetic soda ash segment.



MARKETING TEAM - SODA ASH

Supply

Natural soda ash manufactured from trona, is largely available in USA (23 Bn MT), Botswana (400 Mn MT), Mexico (200 Mn MT), Turkey (200 Mn MT), Uganda (20 Mn MT), Kenya (7 Mn MT) and other countries (260 Mn MT) aggregating about 24 Bn MT. The world's largest deposit of trona is in the Green River Basin of Wyoming in USA. About 1.8 tonne of trona yields 1 tonne of sodium carbonate. All the soda ash producers in Wyoming are either fully or partially owned by overseas companies. These international ownerships have contributed to the sustained growth of US exports. With abundant reserves, US soda ash players dominate the international trade. Except for the countries with trona deposits, soda ash is produced synthetically only.

World capacity has grown at a CAGR of 3.5% for the last 10

Solvay's plants are spread over more than 10 countries.

International Trade

Cost of transportation plays very important role in international trade. Lower cost of production of Soda ash in the USA (due to natural soda ash, cost being almost half of Indian players) and China (due to lower energy costs, total cost being lower by 5-10%) allows companies in these countries to absorb higher transportation costs. US soda ash producers, therefore, compete in almost every market in the world through their export outfit, ANSAC. US

producers command almost 50% share of world's total soda ash exports.

Determinants of variation in international trade.

Demand supply scenario in the domestic market, strength of local currency vis-à-vis dollar and change in prices are the major determinants of the magnitude and variation of international trade of soda ash.

Basis of Competition

Soda ash being a commodity product, the competition is mainly price based. However, for the purpose of float glass production, quality of soda ash is very important. Due to

demand. Its position in Asian market has a direct influence on demand for US exports also. Shortage of both coke and salt in 2004 led to major price rise in China as well as a reduction in exports to Asia in the second half of that year, thereby enhancing demand for US material. The shortage of metallurgical coke in China and other countries, driven by the requirements of the steel industry, has also affected coke availability and prices.

III. Buyer's Cartel

Main customers (like container and float glass, detergents and some chemical application) grow in size, merge and increasingly organize themselves to purchase on a global basis, using their bargaining power very effectively.



SODA ASH PLANT - SUTRAPADA

this, customers might be inclined to pay some premium for quality. Most glass producers enter into long term supply contracts with soda ash manufacturers and in some instance they have also taken equity stakes in such companies.

Price Determinants

I. ANSAC

Almost 50% of total exports of soda ash are by ANSAC. Hence, it has significant control over the price of soda ash in the international trade.

II. China Factor

China commands 31% share of global capacity and is one of the fastest growing economies in the world. Hence, growth of Chinese economy and capacity additions also affect the global soda ash prices. In fact, the increase in prices during 2004 and 2005 was mainly due to Chinese

IV. Demand Pull (especially, glass & detergent industry)

Glass production used almost 16-17 Mn MT of soda ash in 2005 and demand is increasing by 4% (float glass) and 2% (container glass) over the last five years. It may be noted that demand from the container glass industry is shrinking due to replacement of glass bottles by PET bottles to a very large extent in soft drinks. PET bottles are substituting glass bottle uses in other industries too. Culletts represent a cheap raw material for the manufacture of glass.

V. Cost Push (transportation & inputs costs)

Water is widely accepted mode of transport for international trade of soda ash. Hence, shipping charges play important role in determination of landed cost of soda ash. Crude oil price is one of the major determinants of shipping charges. Thus, movement of crude oil prices is major determinant of landed cost of soda ash in international market.

Production of soda ash is an energy intensive process, with power & fuel costs constituting almost 25-30% of the total cost of production. Hence, changes in prices of major energy source viz. coal; natural gas etc. affects the soda ash prices. For example, rising energy and fuel costs, particularly that of coke, pushed up costs in Europe, whereas in the US, costs were hit by higher gas prices.

VI. Trade Barriers & Foreign Exchange Rates

In Asia, the demand for soda ash had reduced sharply after the South East Asian Crisis and consequent depreciation of currencies of these countries. Hence, there had been downward pressure on the prices during that period.

Downturn in World Soda Ash Industry (1996-2003)

The soda ash industry faced a number of challenges, the most prominent being the international crisis that started in 1997. With the US and Western European markets having matured, long term growth was expected mainly in Asian and Latin American markets. The crisis significantly affected soda ash demand in 1998 in Asia, Latin America and the former Soviet Union. The difficulty was compounded by two post-communist era specific problems. In China, the transition from central command economy to market economy was not complete. State owned soda ash producers competed with each other, but other ingredients of capitalism such as depreciation, cost of capital and financial responsibility did not affect them. All of these producers increased production, deeply eroded the prices in China and aggressively pushed their exports, triggering overcapacity in USA.

INDUSTRY OUTLOOK

CARE expects the world demand for soda ash to grow by at least 2.5-3% over the medium term. Hence, on 41.9 Mn MT global demand at present, the demand would increase by almost 1-1.5 Mn MT every year. Of this additional demand, around 60% would come from India, China and Middle East countries, where the GDP growth rate is higher.

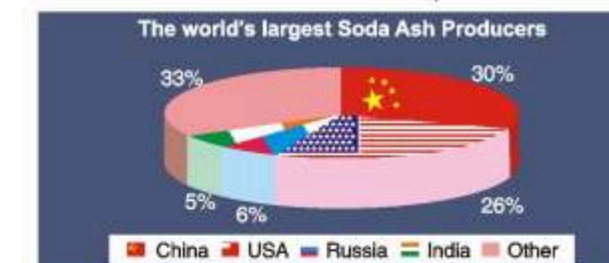
CARE believes that new capacities would come mainly in the regions of high growth viz. India, China or South East Asia because of easy availability of key raw materials. While Indonesia has abundant coke reserves, availability of salt is an issue.

As per the view expressed by key players, it is expected that China might add almost 5-10 lakh MT capacity every year to meet its domestic demand. In China, the demand is expected to grow @ 8-10 % upto 2010 due to focus on infrastructure for various events to be organized in the country. However, any steep fall in Chinese demand may result into over capacity in the region and the prices might come under pressure. However, such a situation appears less likely at least in the near future.

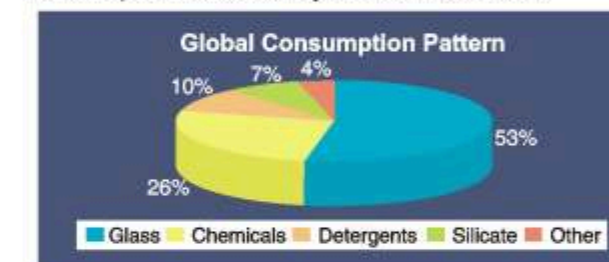
ANSAC is also expected to continue its focus on export markets since no further increase in glass production is likely in the near future in US. Crude oil prices, which determine the transport costs, would continue to be an area of concern for ANSAC. However, the decline in crude oil prices over the last few weeks might just ease up the scenario for ANSAC. Besides, implementation of zero-for-zero agreement with major countries including China, India and other countries might also help it to increase exports.

CARE's outlook for world soda ash prices is stable. There

had been a global upswing in soda ash prices since the second half of 2004 caused by surge in demand and by rising costs of energy and transport. However, crude oil price is still a matter of concern. Increase in crude oil prices would further increase the cost of transportation.



The demand for soda ash is driven primarily by the requirements of the glass industry. The needs of the fabric washing (detergents) and other cleaning sectors also play an important role inasmuch as they use soda ash both directly and in a derivative form. Estimated Global consumption of soda ash by end use in 2004 was:



Indian Scenario

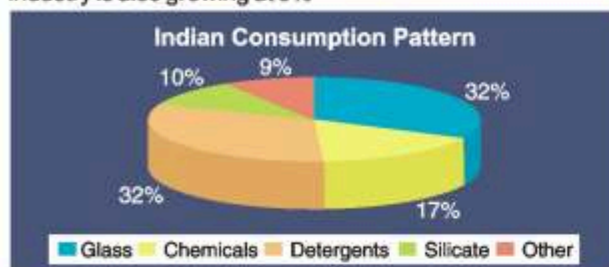
In India Soda Ash is of two varieties – Light (used in detergent industry) & Dense (used in Glass industry), Light constitutes 70% and Dense constitutes 30 % of current Indian domestic market. In last couple of years the capacity utilization has reached an all time high of around 90% of the domestic production capacity. Approximately 15% of India's soda ash production is exported to South East Asia, Middle East & SAARC Countries (Bangladesh). Indian soda ash market grew at CAGR of 5% over last 5 years, which has benefited GHCL as well.

Indian Capacity (Including GHCL) is around 28 million MPTA. All the major industry players are located in the state of Gujarat due to the closeness and ready availability of the main mother earth materials namely limestone and salt.

The Growth in demand of Soda Ash in Domestic and India Export target markets (SAARC, Middle East and South East) is reported to be from current 2.4 million tones to 3.5 million tones, while reported growth in Capacity in China alone is 5.6 million tones in the next 5 years upto 2010, this accounts to a CAGR growth of 7%. Known capacity increase in next 3 years stands at 4 to 5 million tons indicating favourable position for the Soda Ash manufacturers in the Region.

The outlook for the sector remains strong with the Industries consuming Soda Ash growing at a fast pace. Currently

Glass industry growing at 8%, Flat (Float) glass market is growing 10% -12%, Picture tubes market growing by about 10% and Bulbs & tubes growing at 7%. The detergent industry is also growing at 5%



with its over all capacity including the Romanian capacity(acquired in December 2005) has gone up to 11.5 lakhs tonnes. GHCL plans to further increase its domestic capacity by about 2.5 lakh tonnes to 11 lakh tonnes in the second phase in next couple of years.

GHCL's business has grown owing to the strong demand for soda ash globally, upward swing in prices and its 100% captive control on raw material and utilities. The strong growth is driven by a strong demand from China, India and South East Asia. This demand is driven by strong growth in float glass (perfectly flat, clear glass) usage, due to the increase in automotive and construction demand. GHCL believes its competitive strengths enable it to deliver high-



It is Advantage India as:

- India has the advantage of having huge reserve of limestone and large production of salt due to availability of long coast line.
- India also has the advantage of having energy efficient technological plants.
- India is well positioned to cater to the soda ash needs of high growth nation viz. Middle East & South East Asian and SAARC countries.
- Domestic demand is also likely to grow at a good pace.

GHCL Soda Ash business:

GHCL Limited is a leading Indian producer of soda ash, a key ingredient used in the manufacture of glass, detergents, textiles, paper dyes and chemicals. The company is well-poised to tap opportunities in the dense soda ash business which contributes about 22 per cent of the total revenues whereas the total soda ash business contributes about 66% of total Indian Stand alone revenue (Dense soda ash Constitutes 32% while 68% is light).

GHCL has completed the first phase of expansion in the soda ash in March 2007, the company has raised its domestic capacity by about 40 per cent to 8.5 lakhs tones

quality products in a cost-efficient and environmentally friendly manner.

The company is one of the lowest cost producers of synthetic soda ash in the world due to 100% captive source of all the raw materials – Salt, Limestone, Met Coke and fuel. The key factor for success for being one of the lowest cost producers of soda ash has been due to the innovation brought in by the company which has replaced the imported Met Coke with in-house Developed Briquette Coke. The company also has the advantage of the captive mining of fuel (Lignite) and being the only company in India to have this facility. GHCL follows the best process parameters in the Indian industry by following the Kaizen System and has formalized systems of cost reduction. The Current Cash Cost of GHCL is about US \$125/Tone while the company is striving to reach US \$100/Tone and becoming one of the lowest cost producers in the world.

GHCL shares a highly successful client relationships and is the preferred supplier to all major soda ash consumers; its clients include Gujarat Guardian, Asahi Glass, L&T, Phillips & Hindustan Lever. The company has been continuously rated as the best in industry by CSI (Customer Satisfaction Index).

Opportunity and Concerns

The biggest opportunity lies in capitalising on the prevailing demand from the real estate & construction and automobile sector. In order to leverage it, the company has added capacity for higher share in the world's fastest growing market of Asia, which is growing @ 7% approximately by increasing its global capacity to 1.1 million MT. The major producing centres in Asia are located in China and India only.

GHCL's presence in the European market through its acquisition of Romanian company would help it leverage its domestic advantage to control costs. The soda ash prices are expected to remain firm for the next 4-6 quarters.

The soda ash industry was established more than half a century back and is well placed to meet 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. The product quality is comparable to the best European producers with cost being comparable to Chinese units.

The industry offers huge opportunity for growth as the Demand Growth in the next 5 years expected to be strong and there are opportunities for capacity expansion because of product acceptability in the export markets.

The industry suffers from the weaknesses of concentration of 95% capacity in Gujarat and the cost of transport to markets in South and East India, which constitutes 31% of consumption, is high as compared to the ocean freights to South and East India where product is imported from Kenya and Europe.

GHCL has been able to maintain a domestic market share through a combination of market development, pro-active Direct Customer Relationship management (CSI) Satisfaction initiatives and the speedy response to the needs of the market place.

Establishing A Global Foot Print

GHCL's growth and expansion plans are well in place and are supported by the economic upturns in the Indian and Asian regions with a steady upward rise. The growing demand for Soda Ash in the growing economic blocks of the world such as the Eastern European Countries, coupled with streamlining and consolidated its domestic market share and volumes, this would be an opportune time to leverage its market potential and the resources to exploit the growth potential thrown open by the dynamic business environment. Europe is the biggest soda ash producing region after Asia.

Within the Indian space there are already established players with high barriers to entry for new entrants. This has already led to some amount of mergers of capacities taken place.

The acquisition of the soda ash business in Romania has provided GHCL with the much-desired exposure of the world markets beginning with Europe to replicate its Indian success. GHCL is in the process of increasing the production capacity of its Romanian unit to 300,000 Tones and has substantially reduced its cost of production through a de bottlenecking over the last one year.

GHCL's strategy is to create a strong Foothold in Europe through its Romanian unit started bearing fruit, it is ready to penetrate the other growing East European Economies such as Hungary, Croatia, Moldova, Yugoslavia, Slovak Republic and Czech republic to name a few, it intends to

use its delivery model to increase its dense capacity to service these markets and also cater to the Non European markets and establish strong client relationships.

Going forward, company's strategy is to be present in all the four major soda ash zones of the world which constitutes of China, USA and Eastern Europe along with India in order to serve its customers better.

Delivery Model & Approach

In India, GHCL is well placed to leverage the opportunity in the soda ash business due to the Entry Barrier for any kind of Greenfield Investments. As typical Modular Capacity for Greenfield Project needs to be 400,000 TPA which would come at a high cost of: US \$225 million. Also the time Frame for Project completion is minimum 4 years for a plant, moreover the major constraint comes in creation of Raw Material resources. The Possible Capacity additions by other Indian Manufacturers are likely to be in the region 0.3-0.4 MMT. With the Strong customer relationship in both domestic & Export market GHCL would be the major beneficiary.



Over the past year our core operations & management team have come up with a focused model & approach towards implementing turnaround & growth strategies that would be implemented to develop our growth potential. Further to this, this replicable model could also be used globally.

GHCL being the innovation Leader in Manufacturing, the company is in a unique position to leverage its deep routed manufacturing knowledge & innovation in product and quality to deliver Low Cost Production bases by leveraging the conditions inherent in the growing economies of the world.

In Romania as these plants are ideally located to tap East and Central European Markets and have a high level of reserves of natural resources required at a comparatively low cost to produce Soda Ash. Moreover the dense soda ash that these plants produces is in sync with the GHCL's focus on the DENSE which is where the one can get better contribution along with the higher growth potential.

The strong foothold in Romania has opened the doors for GHCL to cater to East European markets with demand potential in excess of 7,00,000 TPA thereby providing the company with a large local market. GHCL is poised for tapping gaps in the eastern / southern coastal markets of India.

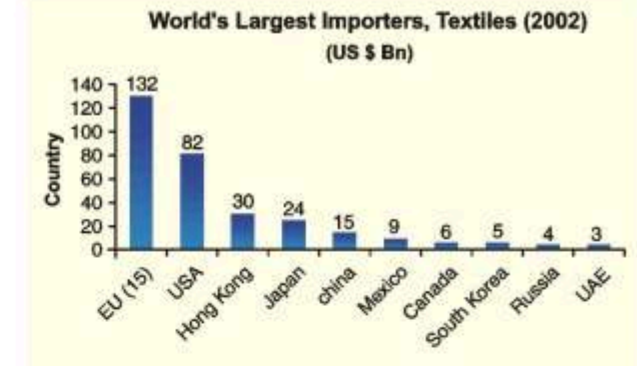
HOME TEXTILES



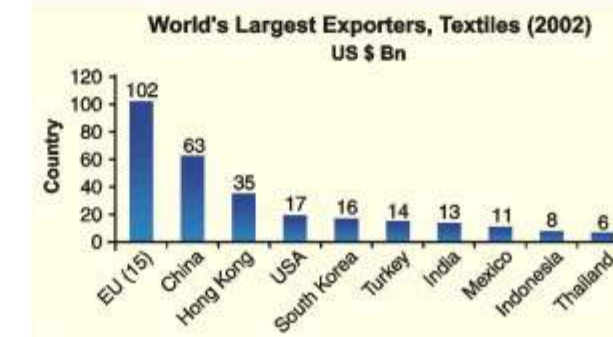
In the Textiles arena, India and China are emerging as winners after the dismantling of quotas which freed the entire global textile trade. This has led to aggressive realignment of production and outsourcing facilities. Large global manufacturers in USA and Europe are becoming sick or closing down due to higher cost. This scenario has benefited countries like India & China having large scale of operations, raw material base and cost competitiveness.

Market Size

Global Home Textile Industry is estimated at US \$70 bn of the global textile and clothing industry of US \$480 bn and



EU market dominates 70% of the world's home textile imports. Growth in home textiles is to be the highest amongst all textile segments with international trade set to grow to US \$23 bn by 2010 at a CAGR of 22% from the present levels



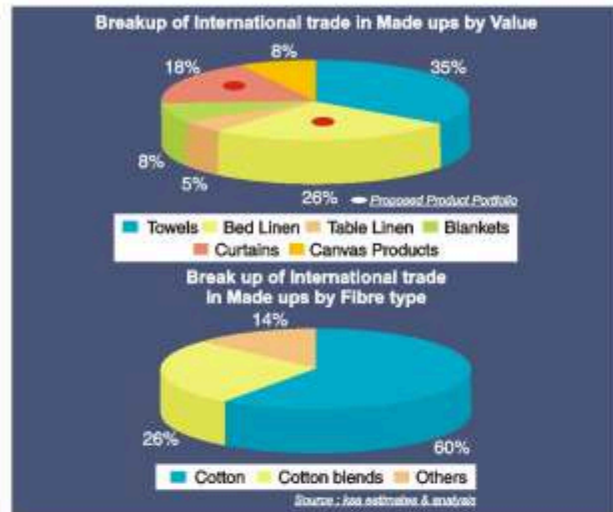
World Trade in Textiles is currently - US \$342 billion and is expected to US \$770 billion in 2010. Global Home Textiles size stands at US \$70 billion. Global Home Textiles Trade is currently US \$8.6 billion and is expected to go up to US \$23 billion in 2010

Key Trends Post Quota

- Global Retailers increase outsourcing to cut costs
- Manufacturing shifting from developed to developing markets
- Consolidation, rationalization of

outsourcing countries and vendors to trigger growth for Asians

- China, India, Pakistan, key Asian Vendors dominate (76% share of USA market) and gain at expense of developed markets



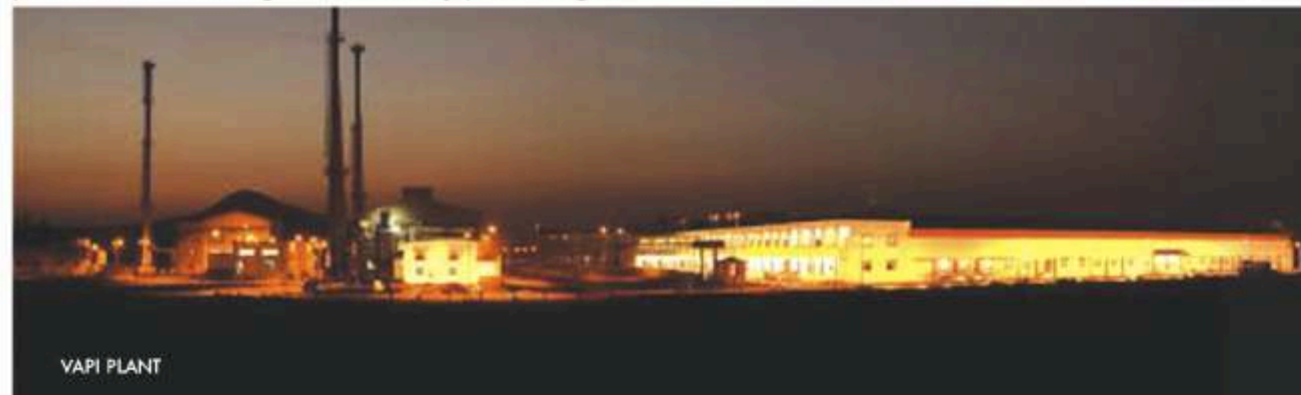
Within USA

- Home Textiles Industry still evolving and consolidation across value chain taking place
- West Point Stevens Promoters further contributing US \$200 Million for Growth and sustenance

Springs lost Revenues Q2Q due to its own transformation in the region of US \$100 million

India's textile industry is highly cost competitive and its strength lies in being Cotton rich country with abundance of raw material coupled with abundance of low-cost skilled labour. India has also developed Product design and development capabilities and has presence in all segments ranging from fibre to garment. India now also has the experience of working with global brands.

Indian Textile Exports is currently US \$14 billion moving to US \$50 billion in 2010. Indian Home Textile trade is currently US \$2 billion moving to US \$8 billion in 2010. India being the largest supplier of terry towels (25% market share) and the third largest supplier of bed linen (17% share) to the US. Indian home textile exports are in a growth zone. Although India has lost some market share to Pakistan and China due to aggressive shipments at low prices, it continued to grow at a healthy pace in higher



value-added segments with high realizations compared with peers. Its greater presence in the decorative bed set segment has also been a step forward in India's strategy to enrich its product mix.

Terry towels is the fastest-growing segment, despite some pricing pressure, with exports to the US upto 40%, followed by bed linen and decorative bed-set exports growing at 20% YTD Aug'06, respectively. With a significant part of new capacities now operational, growth rates are likely to pick up, particularly in bed linen and the decorative bed-set segments. We see higher operating leverage improving earnings growth visibility ahead.

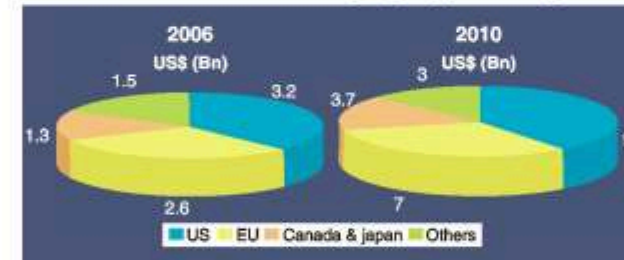
Favourable Government policies, Low finance cost under TUF comparable to any country in the world, 10% capital subsidy makes finance cost extremely low, Zero duty CENVAT chain and textile & apparel parks are the major positives which are going to drive the sector growth.

Inherent strengths & cost competitiveness of Indian textiles industry is catalysing major retailers & brands of the world such as Wal-Mart, Target, Gap, Marks & Spencer & Tesco to set up shops/increasing their Indian presence augurs well for the sector.

Outlook for the Sector

India's textile exports are likely to surge from US \$14 bn to US \$50 bn by 2010-CAGR 20% (as per HDFC securities research report). India's share in world textile trade is also set to increase from 3.80% to 6.50% by 2010. After IT, Textile Industry to be the second largest "outsourcing" hub.

Home Textile - Emerging Opportunity



Huge Home Textile market is waiting to be exploited by India. As per KSA Technopac estimates, India's home textile exports will reach US \$8 bn by 2010 vs. US \$2 bn now - i.e. 4 times increase.

GHCL-Home Textiles

In the home textiles arena, GHCL is the only fully integrated player in the world with presence across mill-to-consumer

operation that includes manufacturing units in India, Dan River, Best Manufacturing Group and Baker Linen in the United States and the Rosebys retail chain in England.

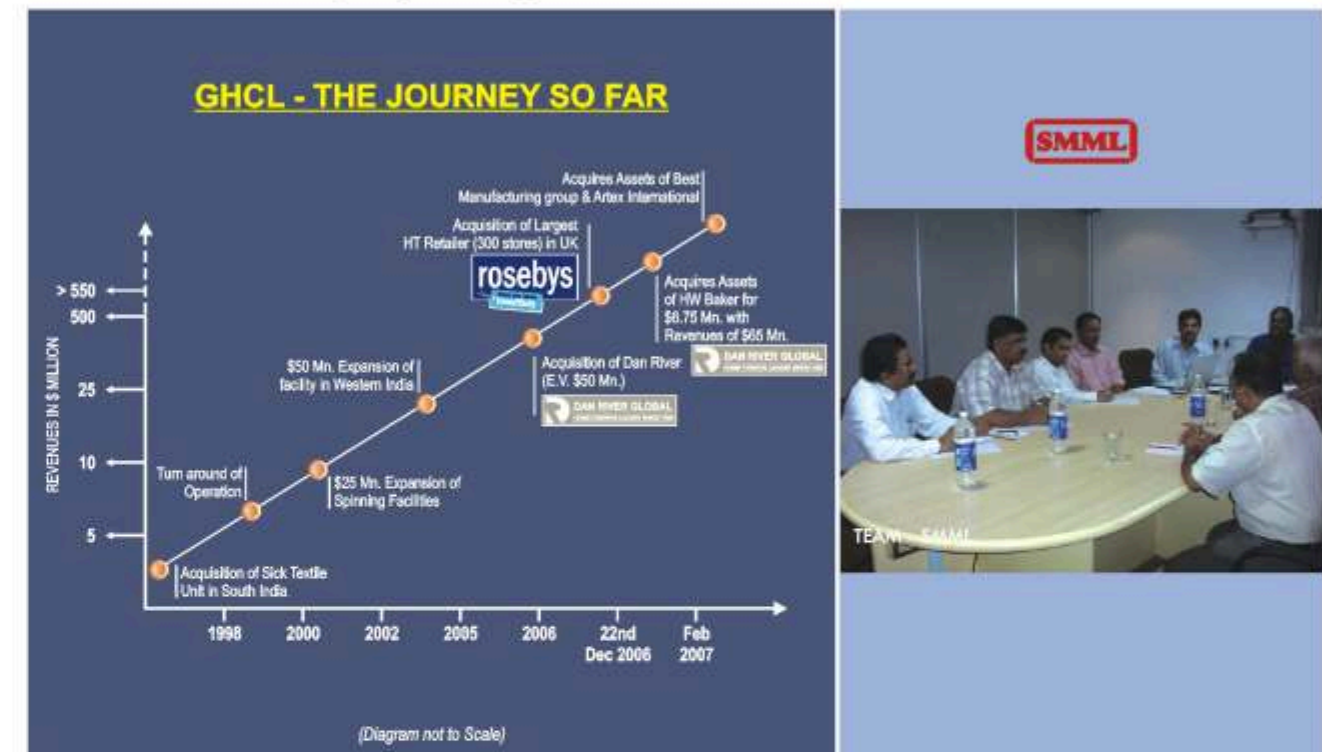
Home Textiles – A Global Vision

GHCL's Home Textile Vision is to develop a fully integrated Home Textile Production facility of Global Scale and to create a marketing and distribution infrastructure of size and scale comparable in the world.

The domestic operation of the company includes 1,15,000 yarn spindles at its two plants in South India, producing high quality yarn for the domestic and export markets. Home Textiles being a key driver of growth and

DAN RIVER: GHCL acquired Dan River Inc., the third largest US Home Textiles Company at a cost of US \$17.50 million. Dan River with its outsourcing arm in the Major textile belts of Asia such as China and Pakistan is the leading player in the US textile markets with an annual turnover of US \$250 million in Home Textiles. It has a widest sales & distribution network within US catering to the largest retailers and preferred supplier to large retailers like JC Penny and Linen & Things, Wal-Mart, Bed, Bath & Beyond.

GHCL successfully turned around the operations of Dan River Inc. in less than 3 quarters after taking over the management and operations of Dan River. The



margin for the company, GHCL made Rs. 230 crores investment at its Vapi facility which involved building of a vertically-integrated facility to produce finished products, including bed linen and curtains. Post ramp up, the facility would start producing 36 million metres of wide width fabric to be converted into 7 million sheet sets per annum.

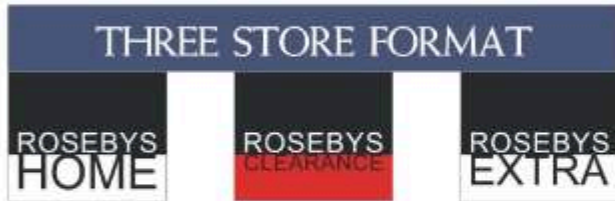
In order to achieve this global vision, GHCL in the last 15 months period acquired **Dan River Inc., which is one of the leading home textile player in the United States, Rosebys retail chain in England, Best Manufacturing Group and HW Baker Linen in the United States.**

turnaround has resulted into an annual savings of close to US \$35 Million. During the period the company has also refinanced the working capital loan along with replacing the old bond holders with the new lenders on better terms.

The turnaround has been made possible in such a time frame on the back of strong marketing and outsourcing initiatives backed up by various other HR and manufacturing initiatives by GHCL on Dan River, part of its **three stage turnaround action plan.**



ROSEBYS: Dan River acquisition has been followed up by acquisition of UK's largest Home Textiles Retail Chain Company-Rosebys for US \$40 Million which completed the global value chain for GHCL from spinning to Retail.



Rosebys has a strong presence in bedding, curtains and kids garments with over 300 retail outlets across UK and an annual turnover of close to US \$250 million.

Post Rosebys acquisition GHCL become world's only integrated home textiles company with presence across spinning, weaving, product design & development, sourcing and distribution to retail stores at a global level.

HW Baker: GHCL strengthened its presence in the US markets with acquisition H W Baker Lenin Co. who had a turnover of US \$70 million at a cost US \$6.75 million. The acquisition strengthened Dan River's existing position in hospitality industry as H.W. Baker Linen Co. is a leading supplier of textile products, amenities and guest room supplies to hotels and motels across USA.

Best Manufacturing Group: The latest of the acquisition was done by GHCL's international subsidiary GHCL Inc. of Best Manufacturing Group of USA for US \$35 million. Best is the leading manufacturer and distributors of Home textiles and certain related items for the hospitality & healthcare sector in USA.

Headquartered in New Jersey, BEST has satellite operations strategically located across Canada, Mexico and Asia with two manufacturing plants, one each in Cambodia and Mexico along with 8 warehouses across USA. Best has a top-line of about US \$160 million.



The Model

GHCL is working on the vertical integration model with a presence from mill to front end retail. The established brand platforms of Dan River, Rosebys, across the EU & USA markets are backed up by company's low cost strong manufacturing base of India and strong outsourcing presence across India, China and Pakistan

Opportunity & Concerns

While there is a huge growth potential in the Home Textile trade from the US and EU markets, there could be various unforeseen factors that may affect the growth of the company. A change or slow down in the growth and demand for Home Textile products could have an impact on the revenues of the company. A decrease in the international prices of the company's products could affect the marketability of the products and also in turn affect production. If during such a phase the company is not able to turnaround the portfolio or replace the trend in the markets, it could have a significant impact on the company. As Dan River's delivery model is based on International supply and trade, an adverse effect in the exchange rates of relevant currencies such as the Rupee and/or Yuan versus major international currencies, including the US dollar, could also impact revenues and profitability. Competition from major Indian and other international players within the Home Textile space could also hamper growth. Change in government policies, or anti trade lobbyists within India or even in the US could affect the company's ability to source the goods in time and hence could lead to a disruption in supply.

Outlook

It is GHCL's endeavour is to build world class competencies in:

MANUFACTURING

- Building world class competencies in – Quality, Cost Control, Delivery & margin Enhancement through benchmarking & Ancellirization approach

DESIGN

- Empower our already Strong Global Design Team to develop creative ideas from across the Globe
 - US – Global Design Head already looking after Kids (2-12 yrs), Tweens (12-20 yrs)
 - UK – Design Director of Reputed experience already on board to develop popular designs based on new trends
 - India – Development of complete design capabilities out of Vapi
- Already entered the Home Textiles Design Shows to benchmark against other industry players.

- Started Segment target positioning (STP) teams to drive Segmental Growth in product development

PRODUCT DEVELOPMENT

- High end process established in "Sample" Development – from Creativity to Sample Development with total look and feel of the product line
- Higher TAT (Turn Around Times) established and is driving strong order bookings—A USP of Dan River

GLOBAL SOURCING

- Strong focus in development of China, India & Pakistan as lead Global Sourcing hubs with own quality control and country managers
- Parallel Development of Turkey, Mexico (quick turnarounds), Belgium, Brazil & Bangladesh

- Hospitality
- Kids
- Gold Accounts (regional, high margin accounts)
- Luxury

- Margin maximization is key goal for all Sales teams

RETAIL

- Strong Focus on Product Range, Private Brands & Window Coverage
- Introduce new Stores in the UK over the next year
- Improve the shopping Environment through a better



- Setting up Additional Sourcing operations in UK
- Above developments leading to Sourcing Cheapest (creating a benchmark) and becoming a Price Leader in US and gaining same status in UK is next priority

SUPPLY CHAIN

- Demand management
 - Monitor Store Sales for KMART (over 3000 Stores) (Developing more category captains)
 - Inventory management (Building strong processes to achieve inventory of nothing more than 2.5 month of sales)
 - Logistics (Appointing a Global logistics Head & reducing late delivery)

GLOBAL SALES

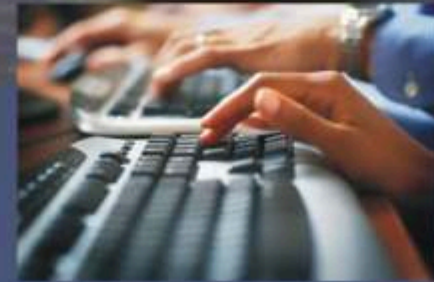
- Focusing on Six strong segments
 - Mass Accounts
 - Popular House hold Accounts

Retail Atmosphere (The Rosebys "Renaissance" & Luxury Outlets)

- Improve Merchandising to in-store availability
- Enhance Branding through marketing and Consumer PR to drive more footfalls
- Customer service & a "Personal Shopper" experience at high end stores



IT ENABLED SERVICES



THE INDIAN MARKET OUTLOOK

India's IT-ITeS industry ranks among the fastest growing sectors within the country's economy. Driven primarily by exports, the industry has experienced rapid annual growth in **Indian IT Industry, projected to cross US \$100 billion in 2011 after it recorded a growth of 31% in 2006.** The Indian IT/ITeS industry clocked close to Two Lacs Crore of revenue in 2006, up by an impressive 31% over 2005. With equal drives from exports revenue and domestic IT spending, the Indian IT industry has been able to keep up with the momentum it gained since 2003.

The industry is projected to grow at 18% CAGR for the next five years time frame to cross an estimated INR 458,228 Crore of revenue in 2011, which means it will become a US \$100 billion plus industry.

On the domestic front, IT/ITeS spend has been estimated at INR 68,411 Crore in 2006, a gain of 26% over 2005. The growth in domestic IT/ITeS spend has been primarily driven by investments by enterprises in IT infrastructure, line of business applications, security products and services, IT outsourcing and managed services and by consumers in mobile and digital products (digicams, notebooks, smart handheld devices etc.).

Domestic IT/ITeS revenues are projected to touch INR 1,68,370 Crore in 2011, at a CAGR of 19.7% (IT growing at 16.4% and ITeS at 40.4%). This also means that domestic IT/ITeS revenues will grow faster than IT/ITeS export revenues for the next five-year period.

Increasingly companies are outsourcing business process functions to call centres in India. These functions include market research, helpdesk and order entry services. These services are well suited to outsourcing because of India's natural cost and English language advantages. Many firms in this space are employed by large US and Europe based IT firms looking to offshore some of their lower end services. As this trend become more prevalent well placed Indian firms will have the opportunity to capture market share and will have the relationships in place to move into higher value added services.

Colwell & Salmon Communications Inc.

GHCL's IT-enabled services division, which includes an Indian and a US subsidiary provides mainly voice-based business process outsourcing (BPO) services, including market research (data collection, focus groups, business intelligence), customer acquisition (database services, channel marketing, sales) and customer support (help desk, order entry). GHCL's client list includes Fortune 100 companies.

The Company's Strength is the B2B segment that constitutes 60% of the total revenues and the Fortune 100 clients that the company services. The company has a Domain Expertise in the area of Direct Marketing and Customer Services. The company provides both offshore & onshore solutions, hence a global & diversified geo delivery model over the world in our markets.

Growth Objectives

Company's growth objectives is to strengthen existing "popular" offerings for new customers that view company's services as critical to their Business Objectives and to build strategic partnerships in new verticals and service offerings that result in long-term contracts and business opportunities.

New Verticals

The Company is looking to develop and create growth opportunities in new vertical markets and horizontal service offerings. Currently within the B2B, B2C & MR space we provided services to the Technology, IT, Telecom, Publishing and are looking to grow in the following new verticals-Healthcare, Financial services, Insurance and Market Research (end to end delivery capabilities)

Opportunity & Concerns

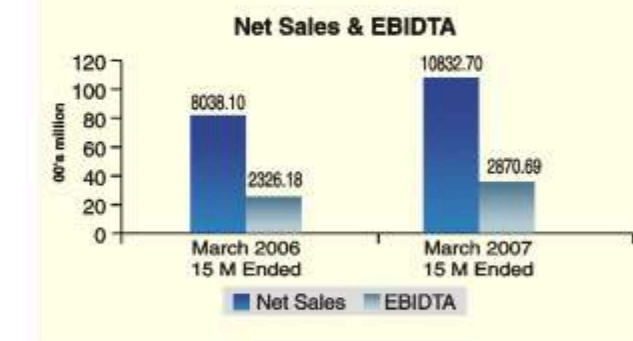
The ITES sector globally has seen a strong trade growth within concentrated Geographies such as North American subcontinent UK & EU and the Asian subcontinent. Corporates across the leading economies are facing huge pressure to minimise costs and maximise profits as customers and consumers are demanding goods and services at far more competitive prices than ever before. We see a huge potential to drive revenues within certain sectors in customer service related work such as Healthcare and Financials services BPO. As labour arbitrage becomes increasingly important factor to deal with in pushing cost down, countries such as India and China have a huge potential to grab such opportunities and streamline functionalities to cater to this growing demand. In sectors such as Healthcare, Financial services and BPO where up to 70% of costs are associated with labour charges; such practices are bound to have significant appeal towards offshore outsourcing. Even within our growing Direct Marketing and Call Center segment of our current business, Front Office and Back Office outsourcing are witnessing a consistent rise in offshore outsourcing.

While outlook for this sector holds true promise, there are various factors that may directly or indirectly affect our business and performance. As our ITES delivery model is based an onshore and offshore delivery model through seamless integration an adverse effect in the exchange rates of relevant currencies such as the Rupee versus major international currencies, including the US dollar, could also impact revenues and profitability. Competition from major Indian and other international players within the ITES space could also hamper growth. As Outsourcing and especially ITES constitutes a fair amount of job opportunities for many people in countries in which our customers are situated and also faces, from time to time, strong resistance from various political and corporate bodies, any change in government policies, or anti trade lobbyists within India or even in the US could affect the company's ability to win contracts and service clients or expand its offerings in time and hence could lead to a disruption in service chains and revenues, that could impact our profitability.

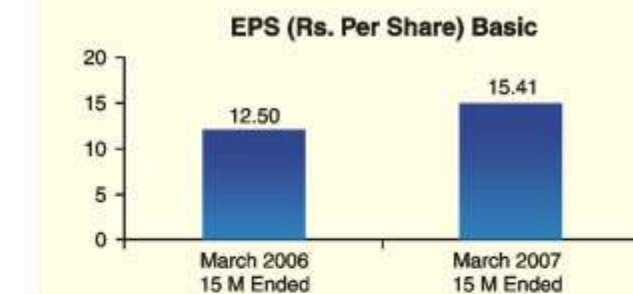
PERFORMANCE ANALYSIS

Comparison - Fifteen months Jan 2006- March 2007 vs. Jan 2005-March 2006 (Standalone)

The Company generated total revenue (net of duties) of **Rs.10832.70 million** in the fifteen months period ended March 31, 2007, a 35% increase from **Rs.8038.10 million** (net of duties) in corresponding previous period



The total increase in sales was primarily due to higher sales volumes and higher soda ash prices in both the domestic and export markets and also the move to higher value added products in the textile segment.



In the Business Mix Textiles division revenue during the fifteen months period ending March 31, 2007 contributed 34% to the total revenue as compared to 29% in the corresponding fifteen months period ended March 31, 2006.

Whereas Soda Ash revenue during the fifteen months period ending March 31, 2007 accounted for 65% of the total business revenue as compared to 70% in the corresponding period ending March 31, 2006.

Highlights

- GHCL acquired US Textiles Major-Dan River for US \$17.5 million, a leading manufacturer and marketer of textile products for the home fashions and apparel fabrics markets with an annual turnover of US \$250 million
- Turned Around Dan River Operations, led by the Marketing, Outsourcing and HR initiatives
- GHCL Acquired Rosebys, UK's largest Home Textiles Retail Chain Company for US \$40 million
- Dan River Inc. a step down subsidiary of GHCL Limited, acquired H W Baker Lenin Co. having a turnover of US \$70 million for US \$6.75 million
- GHCL acquired Best Manufacturing Group of USA for a consideration of US \$35 million through its international subsidiary GHCL Inc.
- GHCL consolidates Dan River operations, improved order book, led by strong marketing, outsourcing and HR initiatives and has developed over 50 vendor relationships for the outsourcing from India, China, Pakistan, Mexico, Cambodia and Turkey. Dan River increases its client base to over 900
- Company commissions additional 25000 spindles for spinning, total capacity now at 1,15,000 spindles. Expansion to add further 25,000 spindles progressing as per schedule
- GHCL completed the expansion of additional 2.5 lacs MTPA capacity at its plant in Sutrapada in Gujarat. The total capacity of the Indian soda ash operations has gone up to 8.5 Lacs MTPA. Increases its market share to 45% in northern markets and 35% in the western markets of India
- Globally the company's total soda ash capacity has increased to 11.5 lacs MTPA, including 3,00,000 MTPA capacity at its Romanian operations S.C. GHCL Upsom S.A.
- GHCL Romania is gaining preferred vendor status in Romania and has added 10 Marquee clients in the dense soda ash (glass area) namely Saint Gobain, Owens, Guardian, Striom and P&G signalling strong growth in automobiles, construction and FMCG
- GHCL Limited registered an all-round improvement in its operations

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

The successful integration of Indian and foreign operations both in the soda ash and textiles businesses has been a huge plus to us. Given the strength of company's operations and encouraging levels of customer demand, the company remains positive on the performance in the coming times and expect to post improved margins going forward.

Human Resource Development

As on March 31, 2007, the Company had 2439 employees



who have different academic background and diverse work experience to their credit. In the last few years, the focus

has been on people development and enhancing the human capital of the company.

GHCL has been constantly endeavoring to execute policies and programs for enhancing people's competency, capability and empowerment. The organization has executed a new and objective Performance Management System, which encourages good performance and adds to the company's profitability. The system has been in operation for more than three years and has been widely received well and acclaimed. Further, to prepare the organization to meet the future challenges from domestic and international players we have introduced/introducing some of the management tools like Competency Profiling, Job Evaluation, Leadership Development and Career Planning.

As a people driven organisation, GHCL always strives to make effective utilisation of the competencies of its human resource to surge forward to the future, which is highly complex and challenging. The organisation culture and commitment of the company to its people reflect in the motivation levels and achievements of its employees. Customer orientation is a key element in company's functions and the organisation has set highest standards in servicing its customers – both internal and external. The company has started a few initiatives for further sharpening the leadership skills of its executives and embarked on a change management programme to go in line with the business plans. The objective is to make available a human resource pool, which is willing and capable to take on the tasks and challenges lie ahead. Subordinate development and career planning form an important part of the senior executives' key result areas in the organisation.

GHCL has constantly been rationalising/restructuring its manpower and up-grading its quality. It is the endeavour of the organisation to develop an effective team where productivity is high and accordingly, the company continuously organises employee development programmes covering the entire knowledge-value-skill spectrum. During the year 2006-07, the employees benefited from various training programmes, which covered various issues in management, technology, safety, health and environment.

Internal communications is a critical communications tool. As this helps to communicate Company's Vision, Mission, Growth plans & Developments across all functions areas, in order to drive a consistency in messaging through

Formal Channel and drive uniformity and bonding of people across geographies. As a growing organization, business

units are gearing up for growth in order to have each and very GHCL employee on even keel, we have designed internal communications module and have started circulating the Bi-monthly e-newsletter. We continue to maintain the highest standards in safety and health at the work place.

Social Responsibility and Community Development Programmes

As a responsible corporate citizen, GHCL has undertaken



various community development programmes to provide knowledge, better life, health, sanitation, education & society welfare to the community in and around its manufacturing location at Sutrapada in Gujarat.



GHCL is playing an important role in strengthening the fabric of society with a finely tuned sense of moral responsibility towards the community of people where it operates and the country at large.

The various CSR initiatives have been undertaken either directly or through GHCL Ladies Welfare Organisation (Glow) which involved a proactive approach towards socio-economic development at the manufacturing locations involving the district administration & the local representatives. The focus areas of these programmes have been on:

- **Education:** wherein the company tries to promote literacy and higher education by grant of scholarship & assistance to deserving young pupils of weaker sections of society. The GHCL has been instrumental in construction & renovation of school buildings and other basic infrastructure required for successful running of

the program.

- **Healthcare & Family Welfare;** wherein the company continuously organizes medical camps and has opened Dispensaries. The focus of the program has been on the health care for children, disabled and the under privileged segment of the society
- **Community Development initiatives of the company focuses on providing civic amenities:** clean drinking water facilities to panchatyas along with a raising awareness about the environment protection. The company has been continually supporting the initiatives on upgrading the skills of the local people and developing the socially and economically weaker sections of the society.



GHCL has been greatly instrumental in the development of infrastructure facilities-improvement of roads, street lighting, drainage systems, etc. in the region

Apart from this, grants-in-aid help in building schools and hospitals is being also provided. Villages are adopted and several health and community welfare programs are organized in the area around our activities.

Sources

The data has been taken from various government sources and others like Roskill Report, Care Research Report, Citigroup Indian Textile Sector Report, HDFC Securities, KSA, IDC Report, etc.

CORPORATE GOVERNANCE & FINANCIAL REPORT FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2007



CORPORATE GOVERNANCE FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2007

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

1. Company's Philosophy on Code of Corporate Governance

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

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

2. Board of Directors

The Company understands that good and quality governance is a powerful competitive differentiator and critical to economic and social progress. The "Board", being the trustee of the Company, responsible for the establishment of cultural, ethical and accountable growth of the Company, is constituted with a high level of integrated, knowledgeable and committed professionals. The Board of the Company is independent in making its decision and also capable and committed to address conflict of interest and impress upon the functionaries of the Company to focus on transparency, accountability, probity, integrity, equity and responsibility. The Composition of the Board as on March 31, 2007 is given herein below:

COMPOSITION OF BOARD OF DIRECTORS AS ON MARCH 31, 2007			
Category	Name of Directors	No. of Directors	% of total number of Directors
Promoter - Non Executive Director	Mr. Sanjay Dalmia	3	23.08%
	Mr. Anurag Dalmia		
	Mr. Neelabh Dalima		
Promoter Nominee - Non Executive Director	Mr. Naresh Chandra	2	15.38%
	Mr. S H Ruparell (Mr Mahesh Kheria – Alternate Director)		
Non Executive - Independent Director	Dr. B C Jain	3	23.08%
	Mr. H H Faruqi		
	Mr. Jagdish Capoor		
Representing Lending Institutions	Mr. G A Tadas – Nominee IDBI	2	15.38%
	Mr. R W Khanna – Nominee EXIM Bank		
Executive Directors	Mr. P Sampath – Managing Director	3	23.08%
	Mr. R S Jalan – Managing Director		
	Mr. Tej Malhotra – Sr. Executive Director (Operations)		
	TOTAL NO. OF DIRECTORS	13	100%

The Board of GHCL Limited consists of 13 Directors, 10 of whom are Non Executive Directors. The Company has a Non Executive Director as Chairman and hence the requirement that at least one third of the Board shall comprise of Non Executive Independent Directors is complied with as the Company has 5 Non Executive Independent Directors. All of the Non Executive Directors have extensive business experience and are considered by the Board to be independent in character and judgment of the management of the Company and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment.

The Board of Directors meets regularly to review strategic, operational and financial matters and has a formal schedule of matters reserved for its decision. It approves the interim and preliminary financial statements, the annual financial plan, significant contracts and capital investment along with strategic decisions like Restructuring of Business, Debt and Human Resources etc. Wherever appropriate, the Board delegates its authority to Committees of Directors like Banking & Operations Committee, Investment /Project Committee, Share Transfer & Investors Grievance Committee, Remuneration Committee and Audit Committee. Information is provided to the Board in advance of every meeting and the Chairman ensures that all Directors are properly briefed on the matters being discussed. The Board reviews compliance reports of applicable laws in the Board meetings and also deliberates the compliance of code of conduct for Board Members and Senior Management.

Dates of the Board Meeting are fixed in advance and agenda is circulated to the Directors at least seven days before the meeting. During the fifteen months period ended March 31, 2007, six Board Meetings were held on January 19, 2006, April 21, 2006, June 18,

2006, July 17, 2006, October 30, 2006 and January 29, 2007. The gap between any two Meetings has been less than four months, ensuring compliance with the requirement of Clause 49 of the Listing Agreement and the Companies Act 1956. The attendance of Directors at the Board Meeting held during the fifteen months period ended March 31, 2007 is given herein below:

SL. NO.	NAME	DATE OF BOARD MEETING						AGM ATTENDANCE
		JANUARY 19, 2006	APRIL 21, 2006	JUNE 18, 2006	JULY 17, 2006	OCT 30, 2006	JANUARY 29, 2007	
1	Mr Sanjay Dalmia	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Mr Anurag Dalmia	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Mr Neelabh Dalmia	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Dr. B C Jain	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5	Mr Jagdish Capoor	Yes	Yes	Yes	Yes	Yes	Yes	No
6	Mr H H Faruqi	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7	Mr G A Tadas – Nominee IDBI	Yes	Yes	No	Yes	Yes	Yes	No
8	Mr R W Khanna – Nominee EXIM Bank	Yes	Yes	Yes	Yes	Yes	Yes	Yes
9	Mr Nareesh Chandra	No	Yes	Yes	No	Yes	Yes	No
10	Mr Mahesh Kheria (Alt. to Mr S H Ruparell)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
11	Mr P Sampath	Yes	Yes	Yes	Yes	Yes	Yes	Yes
12	Mr R S Jalan	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13	Mr Tej Malhotra	Yes	Yes	Yes	Yes	No	Yes	Yes

Note : 1. Mr. S Ruparell, Dr. B C Jain, Mr. H H Faruqi and Mr. Tej Malhotra are liable to retire by rotation and are eligible for the re-appointment. Information as required under Clause 49(VI) of the Listing Agreement is annexed to the notice of the AGM.

None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 (C) (ii)) across all the Companies in which he is a Director. The necessary disclosure regarding Directorship and Committee positions have been made by the Directors who are on the Board of the Company as on March 31, 2007 and the same is reproduced herein below:

SL. NO.	NAME	No. of Directorship in other Public Companies	No. of Committee positions held as Chairman in other Public Companies	No. of Committee positions held as Member in other Public Companies
1	Mr. Sanjay Dalmia	1	-	-
2	Mr. Anurag Dalmia	1	-	-
3	Mr. Neelabh Dalmia	-	-	-
4	Dr. B C Jain	-	-	-
5	Mr. Jagdish Capoor	4	2	2
6	Mr. H H Faruqi	-	-	-
7	Mr. G A Tadas	-	-	-
8	Mr. R W Khanna	2	-	1
9	Mr. S H Ruparell Mr. Mahesh Kheria (Alt. to Mr. S H Ruparell)	NA	NA	NA
10	Mr. Nareesh Chandra	1	1	-
11	Mr. P Sampath	1	-	-
12	Mr. R S Jalan	-	-	-
13	Mr. Tej Malhotra	-	-	-

Note: For the purpose of considering the limit of the number of directorship and chairman/member of committees, Private Limited Companies and Foreign Companies are excluded.

During the fifteen months period ended March 31, 2007, the Company has not entered into any transaction with its Non Executive Directors, which establishes any pecuniary relationship with them. Thus the requirement of Clause 49, pertaining to independence of Non Executive Directors has been duly complied with.

The Audit Committee of the Board of GHCL Limited has reviewed the financial statements of its subsidiaries.

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

3. Committees of the Board

(i) Audit Committee

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

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

Terms of Reference:

The scope of activities of the Audit Committee includes the following:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-

appointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of audit fee and also approval for payment for any other services.

- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - Matters required to be included in the Director's Responsibility statement to be included in the Board's Report in terms of Section 217(2AA) of the Companies Act, 1956
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

d. Reviewing with the management, performance of the statutory and internal auditors' and adequacy of internal control systems.

e. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

f. Discussion with internal auditors any significant findings and follow up there on.

g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

h. Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

i. Reviewing the company's financial and risk management policies.

j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Executive summary of the Audit Committee Meetings are placed before the immediate next Board Meeting held after the Audit Committee for deliberation and the full minutes of the same are placed before the following 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 discuss the plan for the internal audit and statutory audit. Dates of the Audit Committee Meetings are fixed in advance and agenda is circulated to the Directors at least seven days before the meeting.

During the fifteen months period ended March 31, 2007, the Audit Committee of the Board met eight times and as per requirement of the Listing Agreement, the gap between any two meetings of the Committee is less than four month. The adequate quorums were present at every Audit Committee

Meeting. The Composition of Audit Committee and attendance of members at the meetings are given herein below:

	Name of the Committee members			
	Dr. B C Jain - Chairman of the Committee	Mr. Jagdish Capoor	Mr. H H Faruqi	Mr. G A Tadas
Category	Independent Director (Expertise in Finance, Banking & Accounting)	Independent Director - (Expertise in Finance, Banking & Accounting)	Independent Director - (Expertise in Finance & Accounting)	Nominee Director - IDBI Ltd (Expertise in Finance & Accounting)
Date of the Meeting				
Jan. 18, 06	Yes	Yes	Yes	Yes
April 20, 06	Yes	No	Yes	Yes
May 22, 06	Yes	Yes	Yes	No
July 17, 06	Yes	Yes	Yes	Yes
Sept. 14, 06	Yes	No	Yes	Yes
Oct. 30, 06	Yes	Yes	Yes	Yes
Jan. 29, 07	Yes	Yes	Yes	No
March 30, 07	Yes	Yes	Yes	Yes
Whether attended Last AGM (Yes/ No)	Yes	No	Yes	No

Note: Managing Directors, Chief Accounts Officer, Statutory Auditors, Cost Auditors, were invitees to the Audit Committee Meetings whenever required. Secretary of the Company is the Secretary of the Committee.

The Company has complied with the requirements of Clause 49 II (A) as regards composition of the Audit Committee. Dr. B C Jain, Chairman of the Audit Committee is a qualified Chartered Accountant and an expert in Finance, Banking and Accounting. He was present in the 23rd Annual General Meeting held on June 19, 2006 to answer the queries of shareholders.

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

- Management Discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions submitted by management.
- Management letter(s)/letters of Internal control, weaknesses issued by the Statutory Auditors.
- Internal Auditor's Reports relating to internal control weaknesses.
- Appointment, removal and terms of remuneration of the internal auditors.

(ii) Remuneration Committee:

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

The executive summary of the Remuneration Committee Meeting is placed before the immediate next Board Meeting held after the Remuneration Committee for deliberation and the full minutes of the same are placed before the following Board Meeting for record. Dates of the Remuneration Committee Meeting are fixed in advance and agenda is circulated to the Directors in advance.

During the fifteen months period ended March 31, 2007, the

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

COMPOSITION AND ATTENDANCE OF MEMBERS AT THE REMUNERATION COMMITTEE MEETINGS HELD DURING THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2007

Name of the Committee Members			
	Mr. Sanjay Dalmia - Chairman of the Committee	Dr. B.C Jain	Mr. H.H Faruqi
Category of Director	Non Executive Director (Industrialist)	Non Executive - Independent Director (Expertise in Finance Banking & Accounting)	Non Executive - Independent Director (Expertise in Finance & Accounting)
Date of the Meeting			
March 31, 2006	Yes	Yes	Yes
April 21, 2006	Yes	Yes	Yes
June 18, 2006	Yes	Yes	Yes
Whether attended Last AGM (Yes/No)	Yes	Yes	Yes

Remuneration Policy:

Payment of remuneration to the Managing / Whole Time Director(s) is governed by the Uniform Remuneration Package 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 within the overall approval given by the shareholders.

Details of remuneration, commission and sitting fee paid/payable to the Directors of the Company for the fifteen months period ended March 31, 2007 are given below:

Non-Wholetime Directors (in Rupees)		
Name	Sitting Fees	Commission
Mr. Sanjay Dalmia	1,50,000	22,00,000
Mr. Anurag Dalmia	1,05,000	22,00,000
Mr. Neelabh Dalmia	1,05,000	22,00,000
Dr. B C Jain	2,95,000	22,00,000
Mr. Jagdish Capoor	2,10,000	22,00,000
Mr. H H Faruqi	2,95,000	22,00,000
Mr. G A Tadas - Nominee IDBI*	1,90,000	22,00,000
Mr. R W Khanna - Nominee EXIM Bank*	1,05,000	22,00,000
Mr. Naresh Chandra	80,000	22,00,000
Mr. Mahesh Kheria (Alternate to Mr S H Ruparell)	1,05,000	22,00,000
TOTAL	16,40,000	2,20,00,000

Note: Commission payable to all 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.

*Commission and Sitting fee paid to institutions which they represent.

Whole Time Directors (in Rupees)

Name	Salary and other perquisites*	Commission
Mr P Sampath, Managing Director	53,17,487	2,30,00,000
Mr R S Jalan, Managing Director	53,17,487	2,30,00,000
Mr Tej Malhotra, Sr. Executive Director	31,05,501	1,30,00,000
Total	1,37,40,475	5,90,00,000

- 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 month prior notice in writing to the other party.
- Presently the Company has a scheme of Stock Options for its employees including Whole Time Directors of the Company.
- Includes Company's contribution to Provident Fund and Superannuation Fund.

(iii) Share Transfer and Grievance Handling Committee:

The Board had constituted the Share Transfer & Investors Grievance Committee. The committee expedite the process of redressal of complaints like non-transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends, etc. The Committee meet at least once in a week to expedite all matters relating to Shareholders / Investors Grievances received and pending during the previous week. During the fifteen months period ended March 31, 2007, sixty two Meetings of the Committee were held.

The composition of Committee as on March 31, 2007 is as under:

S. No	Name	Status
1	Mr. Anurag Dalmia	Chairman
2	Mr. Neelabh Dalmia	Member
3	Mr. P Sampath	Member
4	Mr. R S Jalan	Member
5	Mr. Mahesh Kheria	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 38 shareholders complaints from Stock Exchanges and SEBI that inter-alia include non-receipt of dividend, share transfer (including demat etc.) and non receipt of 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 fifteen months period ended March 31, 2007:

Sl. No.	Type of Complaints	Total No. of Complaints received during period from January 1, 2006 to March 31, 2007	Total No. of Complaints resolved during period from January 1, 2006 to March 31, 2007	No. of Complaints pending as on March 31, 2007
1	Non-receipt of dividend	436	436	0
2	Share transfer including Demat request	230	230	0
3	Non receipt of Annual Report	53	53	0
	Total	719	719	0

The Share Transfer and Investors Grievance Committee reviews summary of the complaints received and appropriate action is taken promptly. No requests for share transfer or payment of dividend are pending except those that are disputed or sub-judice.

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

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

(iv) Banking and Operations Committee

The Board, had constituted the Banking and Operations Committee to expedite the day to day functioning and exercise of delegated powers of the Board. This Committee meets as per the requirement of business, to expedite all matters relating to operations and granting authority for various functional requirements such as issue of Power of Attorney, arranging / negotiating of term loans, working capital loan, short term loan, dealings with Central / State Governments including their agents and various statutory / judicial / regulatory / local / commercial / excise / customs / port / sales tax / income tax / electricity board etc. and other authorities on behalf of the Company in line with the delegated authority of Board of Directors from time to time.

The composition of the Committee as on March 31, 2007 is as under:

Sl. No	Name	Status
1	Mr. P Sampath - Managing Director	Member
2	Mr. R S Jalan - Managing Director	Member
3	Mr. Tej Malhotra - Sr. Executive Director (Operations)	Member

4. General Body Meeting:

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

Financial Year	Date	Time	Venue
2005 (9 months)	June 19, 2006	10.30 AM	The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad-380 006
2004-2005	Sept. 2, 2005	10.30 AM	The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad-380 006
2003-2004	Sept. 24, 2004	10.30 AM	The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad-380 006

The last three Extraordinary General Meetings were held as under:

Financial Year	Date	Time	Venue
2006-2007	August 4, 2006	10.30 AM	The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad-380 006
2000-2001	Dec. 8, 2000	11.00 AM	Gajar Hall, Nariman, Bhawan, Law College, Road, Ahmadabad
1999-2000	Dec. 3, 1999	11.00 AM	Gajar Hall, Nariman, Bhawan, Law College, Road, Ahmadabad

(b) Special Resolutions:

Annual General Meeting

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

Year 2005 (9 months)

- Payment of Commission to Non Executive Directors
- Approval of Employees Stock Options Scheme (ESOS)
- Increase in the Foreign Institutional Investors (FIIs) investment limit

Year 2004-05

- Alteration of Articles of Association
- Issue of securities in foreign markets / international offer
- Issue of warrants convertible into equity shares on preferential basis
- Payment of Sitting Fees and Commission to Non Executive Directors

Year 2003-04

- Appointment of Statutory Auditors

Extraordinary General Meeting

The following special resolutions were passed in the Extraordinary General Meeting held on August 4, 2006:

- Issue of warrants convertible into equity shares on preferential basis to the Promoter's company
- No Special Resolution was passed in the last year through postal ballot and hence the provisions relating to postal ballot were not applicable.
- All Special Resolutions moved at the above AGMs and EGM were unanimously passed by a show of hands by the shareholders present at the meeting and no resolutions were put to vote by postal ballot.

5. Disclosures:

Disclosure on materially significant related party transactions

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

Disclosure of accounting treatment in preparation of financial statements

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

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

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

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

Code for prevention of insider trading practices

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

Company and cautioning them of the consequences of violations.

Code of Conduct:

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

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

Risk Management:

The Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

The Company has complied with the above requirement.

6. Means of communications:

PUBLICATION OF UNAUDITED QUARTERLY /HALFYEARELY RESULTS AND RELATED MATTERS							
Sl. No.	Particulars		Quarter - I	Quarter - II	Quarter - III	Quarter - IV	Financial Year (15 Months) ended March 31, 2007
1	English Newspapers in which quarterly results were published	Business Standard	April 22, 2006	July 18, 2006	-	January 30, 2007	-
		The Economic Times	April 24, 2006	July 18, 2006	November 1, 2006	January 31, 2007	May 3, 2007
		The Hindu-Business Line	April 22, 2006	-	-	January 30, 2007	-
		The Indian Express	-	-	-	-	May 1, 2007
2	Vernacular Newspapers in which quarterly results were published	Jai Hind (Gujarati)	April 22, 2006	July 18, 2006	November 1, 2006	January 30, 2007	May 2, 2007
3	Website Address of the Company on which financial results are posted	www.ghcl.co.in					
4	Website Address of the Stock Exchange(s) on which financial results are posted.		Quarter - I	Quarter - II	Quarter - III	Quarter - IV	Financial Year (15 Months) ended March 31, 2007
	Name of Stock Exchange (s)	Website Address (es)	Date of Filing of Results				
	National Stock Exchange of India Limited (NSE)	www.nseindia.com	April 21, 2006	July 17, 2006	October 30, 2006	January 29, 2007	April 30, 2007
	The Bombay Stock Exchange Ltd. (BSE)	www.bseindia.com	April 21, 2006	July 17, 2006	October 30, 2006	January 29, 2007	April 30, 2007

During the fifteen months period ended March 31, 2007, the Company has made the following press release and the same has been communicated to the Stock Exchanges.

- July 17, 2006 : Financial Release for the quarter ended June 30, 2006
- August 21, 2006 : Engagement of consultant for business restructuring
- February 12, 2007 : Acquisition of Best Manufacturing Group

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

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

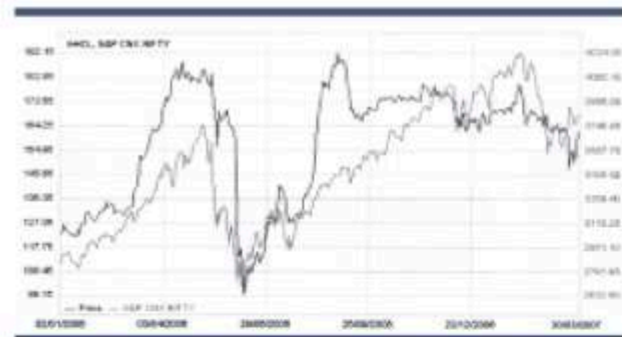
8. General shareholder's Information:

Sl. No.	Particulars	Details		
1	Annual General Meeting	Monday, July 30, 2007	10:15 AM	The Institution of Engineers (India), Gujarat State Centre, Bhalkaka Bhavan, Law College Road, Ahmedabad - 380 006
2	Financial Calendar			
	Financial Reporting for - Quarter - I (ending June 30, 2007)	3rd / 4th week of July 2007		
	Financial Reporting for - Quarter - II (ending September 30, 2007)	3rd / 4th week of October 2007		
	Financial Reporting for - Quarter - III (ending December 31, 2007)	3rd / 4th week of January 2008		
	Financial Reporting for - Quarter - IV (ending March 31, 2008)	3rd / 4th week of April 2008		
3	Date of Book Closure	Monday, July 23, 2007 to Monday, July 30, 2007 (both days inclusive)		
4	Dividend Payment	Final Dividend @ 27% (i.e. Rs. 2.70 per share) will be paid on or after Friday, August 3, 2007, if approved by the members in the ensuing Annual General Meeting		
5	Listing on Stock Exchanges	Name & Address of Stock Exchanges	Stock Code	ISIN WITH NSDL & CDSL
		The Stock Exchange, Mumbai, Phiroze Jeejeebhoy, Dalal Street, Mumbai - 400 001	500171	INE 539 A01019
		National Stock Exchange of India Limited, "Exchange Plaza", Bandra -Kurla Complex, Bandra (E), Mumbai - 400 051	GHCL	INE 539 A01019
		The Stock Exchange, Ahmedabad, KamDhenu Complex, Opp. Sahajan and College, Ahmedabad - 380 015	20850	INE 539 A01019
6	Listing Exchange of Foreign Currency Convertible Bonds	Singapore Stock Exchange	-	XS0229495782
7	Listing fees:	Listing fee for all the aforesaid Stock Exchanges have been paid for the financial year period ended March 31, 2007		
8	Details of Registrar and Share Transfer Agent	Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078. Phone: 022 25963838, Fax: 022 25946969 (Email : isrl@intimespectrum.com)		
9	Outstanding GDRs/ADRs/Warrants or any convertible instruments:	<ol style="list-style-type: none"> The Company had issued an aggregate of US\$ 80.5 million Foreign Currency Convertible Bonds (FCCBs) at a coupon rate of 1%. The subscribers have an option to convert bonds into shares at a price based on price mechanism determined in the offering documents. Presently bond can be converted at a price of Rs. 197.271 per share. Such conversion option is exercisable between September 2006 to March 2011. However, no notice of conversion is received to the Company. The Company had issued 45,00,000 warrants convertible into equity shares on preferential basis to the promoters of the Company. The warrant holders are entitled to substitute one equity shares of Rs. 10/- each at a price of Rs. 147.94 each, in accordance with SEBI (DIP) guidelines, at any time within eighteen months from the date of allotment of warrants i.e. October 23, 2006 against which 10% of the issue price has been received by the Company. 		
10	Address for Correspondence	Share Transfer System: Company processes the share transfer and other related shareholders services through Registrar & Share Transfer Agent (RTA) on a weekly basis. The share transfer in physical form are registered within 15 days from the date of receipt, provided the documents are complete in all respects. The Company provides facility for simultaneous transfer and Dematerialization of equity shares as per the procedures provided by NSDL/CDSL. For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non receipt of dividend or annual report or any other query relating to shares please write to Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400 078. Phone: 022 25963838, Fax: 022 25946969 (Email : isrl@intimespectrum.com)		
11	For General Correspondance:	GHCL Limited, "GHCL House" Opp. Punjabi Hall, Near Navrangpura, Ahmedabad - 380 009. Phone : 079 -26427818/26442677, 079-30918905, Fax: 079-26423623 (Email : secretarial@ghcl.co.in)		
	Dematerialization of Shares and Liquidity:	89.80% of the outstanding shares are in dematerialized form as on March 31, 2007. The trading in the Company's shares is permitted only in dematerialized form with effect from October 28, 2000 as per notification issued by SEBI.		
12	As required under Clause 49 (IV) (G) of Listing Agreement, particulars of Directors seeking appointment/ re appointment are given in Notice to the ensuing Annual General Meeting.			

MONTHWISE STOCK MARKET DATA (BSE & NSE) RELATING TO EQUITY SHARES OF THE COMPANY FOR THE PERIOD OF FIFTEEN MONTHS ENDED MARCH 31, 2007

Months of the financial year 2007	BSE, MUMBAI			NSE, MUMBAI		
	Share Price		Traded Quantity	Share Price		Traded Quantity
	High	Low		High	Low	
January 06	135.40	119.00	7673761	135.50	120.15	23322135
February 06	137.90	121.00	3862207	137.65	126.15	8775827
March 06	174.00	129.00	8898997	169.05	127.50	20472704
April 06	193.00	156.00	2735077	192.70	152.00	8681941
May 06	190.20	135.00	1385403	191.70	145.00	4894189
June 06	169.00	90.00	7147371	169.00	90.95	22494761
July 06	145.60	120.55	3699800	145.00	123.20	13152646
August 06	193.70	129.50	11708345	194.00	130.20	23858937
September 06	190.00	159.50	7575680	196.90	161.00	12489207
October 06	180.00	169.55	4369913	180.00	165.60	6053239
November 06	185.00	173.00	5720013	194.30	172.50	10192374
December 06	180.50	155.60	12395632	180.00	155.65	15500888
January 07	174.00	161.55	7627135	174.75	161.00	12318634
February 07	184.00	161.00	4391075	182.90	155.65	11626635
March 07	170.80	145.25	9469897	171.20	145.55	17954433

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 1998-99 and 1999-2000 have been/will be transferred to the Investors Education and Protection Fund established by the Central Government (IEPF) pursuant to Section 205 C of the Companies Act, 1956 and no claim shall lie with the Company in respect of the unclaimed dividend transferred to IEPF for the financial year 1998-99 and 1999-2000.

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

Financial Year	Date of AGM	Due for Transfer to IEPF
2000-01	21-09-2001	September 2008
2001-02	24-09-2002	September 2009
2002-03	26-09-2003	September 2010
2003-04	24-09-2004	September 2011
2004-05	02-09-2005	September 2012
2005 (9 months)	19-06-2006	June 2013

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2007

No. of Shares held of Rs. 10 each between	No. of shareholders	% of total share holding	No. of shares	% of total shares
From 1 To 2500	38256	76.76%	4281876	4.30%
2501 to 5000	7206	14.46%	2916636	2.93%
5001 to 10000	2587	5.19%	2247566	2.26%
10001 to 20000	943	1.89%	1521481	1.53%
20001 to 30000	243	0.49%	626373	0.63%
30001 to 40000	122	0.24%	448611	0.45%
40001 to 50000	124	0.25%	598130	0.60%
50001 to 100000	109	0.22%	810816	0.81%
100001 to Above	247	0.50%	86136922	86.49%
Total	49837	100.00%	99588411	100.00%

SHAREHOLDING PATTERN AS ON 31ST MARCH 2007

Category	No of shares held	% of shareholding
A Promoters Holding		
1 Promoters		
Indian Promoters	40925190	41.09%
Foreign Promoters	5507900	5.53%
2 Others		
Trust	152000	0.15%
Directors & relatives	30050	0.03%
Sub-Total	46615140	46.81%
B Non-Promoters Holding		
3 Institutional Investors		
Mutual Funds and UTI	1675191	1.68%
Banks, Financial Institutions & Insurance Companies	6031561	6.06%
FIs	2100770	2.11%
Foreign Mutual Fund	283670	0.28%
Sub-Total	10091192	10.13%
4 Non-Institutional Investors		
Bodies Corporate	24492793	24.59%
Indian public	15045849	15.11%
NRIs & Foreign Companies	1771200	1.78%
Others	1572237	1.58%
Sub-Total	42882079	43.06%
Grand Total	99588411	100.00%

Plant Locations:

Soda Ash Plant	Village: Sutrapada Near Veraval, Dist. Junagadh - 362 275, Gujarat
Salt Works & Refinery	(a) Ayyakaramulam, Kadinalvayal - 614 707, Distt Nagapattinam, Tamilnadu (b) Nemeli Road Thiruporur-603 110, Tamilnadu
Textile Division	(a) Samayanallur P.O, Madurai-625 402. (b) Thaikesar Alai P.O, Manaparai-621 312 (c) S. No.191, 192, Mahala Falia, Village Bhilad, Distt. Valsad, Gujarat-396105, India
ITES Division	C - 39 Sector - 58, NOIDA
Energy Division	(a) Muppandal, Irukkandurai Village Sankaneri Post Radhapuram Taluk, Tirunelveli District, Tamilnadu (b) Chinnaputhur village, Dharapuram Taluk, Erode District, Tamil Nadu

DECLARATION

The Board has laid down a code of conduct for all Board Members and Senior Management of the Company, which is posted on the Website of the Company. The Board Members and Senior Management have affirmed compliance with the Code of Conduct.

For GHCL Limited

P Sampath
Managing Director

R S Jalan
Managing Director

CERTIFICATE UNDER CLAUSE 49 (V)

The Board of Directors
GHCL Ltd.

We the undersigned, certify to the Board that:

- (a) We have reviewed financial statements and the cash flow statement for the period ended March 31, 2007 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit committee-
- (i) significant changes in internal control over financial reporting during the period;
 - (ii) significant changes in accounting policies during the period and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For GHCL Limited

P Sampath
Managing Director
Date : June 16, 2007

R S Jalan
Managing Director

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 period ended on 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

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

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

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

For and on behalf of
JAYANTILAL THAKKAR & CO.
Chartered Accountants
(C. V. THAKKER)
Partner
Membership No: 6205
Place : New Delhi
Date : June 16, 2007

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 31st March 2007 and also the Profit and Loss Account annexed thereto and the Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of such books;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. In our opinion and to the best of our information and according to the explanations given to us and read together with note no. 28 (e) relating to FCCB issue expenses in Schedule 16, 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 31st March 2007;
 - ii. in the case of the Profit and Loss Account, of the profit for the period ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.
 - f. On the basis of written representations received from the Directors as at 31st March 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2007 from being appointed as a director.

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

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

(C. V. THAKKER)
Partner
Membership No.6205
Place : New Delhi
Date : June 16, 2007

(RAHUL DIVAN)
Partner
Membership No.100733

ANNEXURE TO THE AUDITORS' REPORT

(Annexure referred to in paragraph 3 of the Auditors' Report of even date to the Members of GHCL Limited on the accounts for the period ended 31st March 2007.)

- (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 period were not substantial and as such the disposal has not affected the going concern status of the Company.
- (ii) (a) As explained to us, physical verification of inventory has been conducted by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. Discrepancies noticed on verification of inventory as compared to book records were not material and these have been properly dealt with in the books of account.
- (iii) In our opinion and according to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties as covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (b) (c) (d) (f) and (g) of the order are not applicable.
- (iv) In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts and arrangements, particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.

- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public within the meaning of Section 58A, 58AA of the Companies Act, 1956, and the rules framed thereunder.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records have been prescribed under Section 209 (1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) (a) According to the records of the Company and the information and explanations given to us, the Company has been regularly depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee State Insurance, Income tax, Sales Tax, Wealth tax, Service tax, Customs Duty, Excise Duty, Cess and any other statutory dues applicable to it. There are no undisputed statutory dues as referred to above as at 31st March 2007 outstanding for a period of more than six months from the date they become payable.
 - (b) The disputed statutory dues aggregating to Rs. 54.32 million 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. in Million)
1	Income Tax Act, 1961	Disallowance of deduction	Income Tax Appellate Tribunal	2001-02	0.90
2	Income Tax Act, 1961	Disallowance of deduction, expenses	Income Tax Appellate Tribunal	2002-03	3.09
3	Income Tax Act, 1961	Disallowance of expenses	Commissioner of Income Tax (Appeal)	2001-02	12.12
4	Income Tax Act, 1961	Disallowance of expenses	Income Tax Appellate Tribunal	2003-04	17.96
5	Income Tax Act, 1961	Disallowance of expenses	Commissioner of Income Tax (Appeal)	2004-05	3.51
6	Central Excise Act, 1944	CENVAT credit	Commissioner (Appeal) Central Excise	2002-03	0.07
7	Central Excise Act, 1944	CENVAT credit	Commissioner (Appeal) Central Excise	2004-05 & 2005-06	1.02
8	Urban Land Tax Act	Urban Land Tax	Madurai Corporation	1961-2007	3.60
9	Sales Tax	Export disallowance	The Joint Commissioner (CT) Chennai	1994-95	12.05

- (x) The Company neither has any accumulated losses at the end of the financial period nor has incurred any cash losses during the financial period covered by our audit and in the immediately preceding financial period.
- (xi) Based on our audit procedures and according to the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks or financial institutions.
- (xii) Based on our audit procedures and according to the information and explanations given by the management, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (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.
- (xiv) According to the information and explanations given by management, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (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 31st March 2007, and according to the information and explanations given to us, we report that funds raised on a short-term basis have not been used for long-term investment.
- (xviii) During the period, 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.
- (xix) On the basis of records made available to us and according to the information and explanations given by the management, securities have been created in respect of debentures issued.
- (xx) During the period, the Company has not raised money by way of public issue.
- (xxi) Based on the audit procedures performed and according to the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the period ended 31st March 2007.

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

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

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

(RAHUL DIVAN)
Partner
Membership No.100733
:New Delhi
June 16, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedules	As at	
		31.03.2007 (Rs. in Million)	31.12.2005 (Rs. in Million)
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	995.88	950.88
Advance against Preferential Convertible Warrants	1A	66.57	29.30
Reserves and Surplus	2	3,225.80	1,991.10
		4,288.25	2,971.28
Loan Funds			
Secured Loans	3	7,836.77	2,689.94
Unsecured Loans	4	1.45	2.90
Unsecured - Foreign Currency Convertible Bonds	4 A	3,500.95	3,642.63
		11,339.17	6,335.47
Deferred Tax Liability (Net)		1,198.12	787.50
Total		16,825.54	10,094.25
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		13,196.08	7,598.17
Less : Depreciation		4,362.67	3,789.15
Net Block	5	8,833.41	3,809.02
Capital Work-in-Progress		517.07	911.16
Advances against capital expenditure		240.38	212.72
		9,590.86	4,932.90
Investments	6	1,338.57	1,084.87
Current Assets, Loans and Advances			
Inventories		2,131.17	1,081.52
Sundry Debtors		1,118.75	773.18
Cash and Bank Balances		444.00	1,020.43
Loans and Advances		4,334.34	2,955.89
		8,028.26	5,831.02
Less : Current Liabilities and Provisions	8		
Current Liabilities		1,823.38	1,587.09
Provisions		317.85	335.53
		2,141.23	1,922.62
Net Current Assets		5,887.03	3,908.40
Miscellaneous Expenditure (to the extent not written off or adjusted)			
Deferred Revenue Expenses		9.08	168.08
Total		16,825.54	10,094.25

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 the Board	
For and on behalf of Jayantilal Thakkar & Co. Chartered Accountants	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Managing Director
		N. Giridhar Sr. General Manager - Accounts	Bhuvneshwar Mishra Company Secretary
Place : New Delhi Date : June 16, 2007		Place : New Delhi Date : June 16, 2007	

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2007

	Schedules	For the Period Ended	
		31.03.2007 (15 Months) (Rs. in Million)	31.12.2005 (9 Months) (Rs. in Million)
INCOME			
Sales - Gross		11,568.90	5,205.92
Less: Excise Duty		928.45	487.29
Income from Services		87.41	54.36
Other Income	9	104.84	49.87
TOTAL INCOME		10,832.70	4,822.86
EXPENDITURE			
Manufacturing Expenses	10	4,883.25	2,396.85
Purchase of Trading Goods		1,660.05	206.86
Payments to and Provisions for Employees	11	563.01	257.86
Administrative and Miscellaneous Expenses	12	489.86	239.80
Selling and Distribution Expenses	13	701.35	393.81
Excise Duty		(3.98)	10.95
(Increase) / Decrease in Stock	14	(331.53)	(78.98)
		7,962.01	3,427.15
Profit Before Financial Expenses and Depreciation		2,870.69	1,395.71
Financial Expenses	15	187.58	78.00
Profit Before Depreciation		2,683.11	1,317.71
Depreciation / Amortisation		587.14	296.83
Gain / (Loss) on Exceptional Item (Net)		63.76	-
Profit Before Taxation		2,159.73	1,020.88
Provision For Taxes			
- Current Tax		249.14	300.59
- Fringe Benefit Tax		14.54	8.74
- Deferred Tax (Net)		413.27	(9.76)
		1,482.78	721.31
Profit For The Year after Tax		1,482.78	721.31
Balance brought forward from previous year		1,349.06	912.92
Prior period adjustment		4.15	(12.01)
Excess / (Short) provision for Tax for earlier years		(16.80)	1.29
Excess / (Short) provision for Deferred Tax for earlier years		2.65	2.60
Debenture Redemption Reserve written back		91.67	55.34
Investment Allowance Reserve written back		108.60	
Amount Available For Appropriation		3,022.11	1,681.45
APPROPRIATIONS			
Transfer to General Reserve		148.50	72.18
Proposed Dividend on Equity Shares		268.89	228.21
Tax on Dividend		45.70	32.00
Balance Carried To Balance Sheet		2,559.02	1,349.06
		3,022.11	1,681.45
Earnings per Share (Rupees) - Basic (15/9 Months)		15.41	7.50
Earnings per Share (Rupees) - Diluted (15/9 Months)		13.81	7.37
Earnings per Share (Rupees) - Basic (Annualized)		12.32	10.00
Earnings per Share (Rupees) - Diluted (Annualized)		11.05	9.82
(See note no. 31 of Schedule 16)			

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 the Board	
For and on behalf of Jayantilal Thakkar & Co. Chartered Accountants	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Managing Director
		N. Giridhar Sr. General Manager - Accounts	Bhuvneshwar Mishra Company Secretary
Place : New Delhi Date : June 16, 2007		Place : New Delhi Date : June 16, 2007	

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2007

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and Extraordinary items	2,159.73	1,020.88
Adjustment for :		
Depreciation / Amortisation	587.14	296.83
Foreign Exchange Gain (Net)	(11.72)	(9.60)
(Gain) / Loss on Exceptional Item	(63.76)	-
Income from Investments	(0.03)	-
Income from Dividend	(0.50)	(0.10)
Investment written off	-	0.07
Prior Period Adjustments	4.15	(12.01)
(Profit) / Loss on Sales / Discarding of Fixed Assets (Net)	1.33	0.37
Provision for Doubtful Debts / Advances (Net)	0.10	6.58
(Profit) / Loss on Sale of Investments (Net)	(9.80)	(4.42)
Financial Expenses (Net)	187.58	78.00
Operating Profit before Working Capital Changes	2,854.22	1,376.60
Adjustments for :		
Trade & other Receivables	(1,083.10)	(128.01)
Inventories	(1,049.65)	(137.92)
Trade payables	(216.84)	106.00
Other Adjustments		
Deferred Revenue Expenses	28.10	(77.10)
Gratuity liability for past services	(40.55)	-
Cash Generated from Operations	492.18	1,139.57
Direct taxes paid	(406.77)	(211.98)
Net cash from Operating Activities	85.41	927.59
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(4,641.65)	(1,229.34)
Subsidies Received	41.66	-
Advance for Capital Expenditure	(27.66)	(186.91)
Sale of Fixed Assets	15.80	14.92
(Purchase) / Sale of Investments	9.80	103.42
Investment / Advances in Subsidiaries	(775.79)	(3,011.37)
Income from Investments	0.03	-
Interest Received	113.61	56.24
Dividend Received	0.50	0.10
Net cash used in Investing Activities	(5,263.70)	(4,252.94)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital including Securities Premium	263.66	-
Proceeds from Secured Loans	5,507.10	1,026.81
Advance against Preferential Warrants	66.57	29.30
Repayment of Secured Loans	(360.27)	(345.06)
Repayment of Unsecured Loans	(1.45)	(1.79)
Proceeds from Foreign Currency Convertible Bonds	-	3,642.63
Gain on Exchange	11.72	9.60
Interest and Finance Charges Paid	(616.66)	(131.33)
Dividend and Tax thereon paid	(268.81)	(209.56)
Net Cash from Financing Activities	4,601.86	4,020.60
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	(576.43)	695.25
Cash and Cash Equivalents at beginning of period	1,020.43	325.18
Cash and Cash Equivalents at end of Period	444.00	1,020.43
Note :		
Cash and Cash Equivalents at end of period	444.04	1,000.75
Effect of exchange rate changes Gain / (Loss)	(0.04)	19.68
Cash and Cash Equivalents as restated	444.00	1,020.43

As per our report attached		For and on behalf of the Board	
For and on behalf of	For and on behalf of		
Jayantilal Thakkar & Co. Chartered Accountants	Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Managing Director
		N. Giridhar Sr. General Manager - Accounts	Bhuvneshwar Mishra Company Secretary
Place : New Delhi Date : June 16, 2007		Place : New Delhi Date : June 16, 2007	

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 1 : SHARE CAPITAL

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
SHARE CAPITAL		
Authorised		
175,000,000 (P.Y. 100,000,000) Equity Shares of Rs.10/- each	1,750.00	1,000.00
Nil (P.Y. 25,000,000) Unclassified Shares of Rs.10/- each	-	250.00
	1,750.00	1,250.00
Issued, Subscribed and Paid up		
99,588,411 (P.Y. 95,088,411) Equity Shares of Rs. 10/- each fully paid up	995.88	950.88
	995.88	950.88

Notes :

- a) During the period the Authorised Share Capital of the Company was increased from Rs. 1,250 million to Rs. 1,750 million.
- b) 25,000,000 unclassified Shares of Rs. 10/- each were classified into 25,000,000 Equity Shares of Rs. 10/- each.
- a) 21,250,400 Equity Shares of Rs. 10/- each fully paid up were issued to Financial Institution at par on conversion of loan of Rs. 212.50 Million.
- b) 1,838,011 Equity Shares of Rs. 10/- each fully paid up were issued pursuant to the Scheme of Amalgamation for consideration other than cash.
- c) During the period 4,500,000 Equity Shares of Rs. 10/- each fully paid up were issued to the Promoter Company at a premium of Rs. 55.10 per share upon exercising the option of conversion of 4,500,000 Preferential Convertible Warrants into Equity Shares.

SCHEDULE 1A : ADVANCE AGAINST PREFERENTIAL CONVERTIBLE WARRANTS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
4,500,000 Preferential Convertible Warrants of Rs. 65.10 each	-	29.30
4,500,000 Preferential Convertible Warrants of Rs. 147.94 each	66.57	-
	66.57	29.30

During the period :

- 4,500,000 Preferential Convertible Warrants were converted in tranches of 2,000,000 & 2,500,000 Equity Shares of Rs. 10/- each at a premium of Rs. 55.10 per share on 26.12.2006 & 15.03.2007 respectively. Premium received on conversion amounting to Rs. 247.95 million has been transferred to Securities Premium Account.
- The Company has further allotted 4,500,000 fresh Warrants to a Promoter Company on preferential basis convertible into Equity Shares of Rs. 10/- each fully paid up, in the ratio of 1:1, on or before 22.04.2008 at Rs. 147.94 per warrant (including premium of Rs. 137.94 per share). Against this the Company has received Rs. 14.79 per warrant, which will be forfeited if the option of conversion is not exercised before the specified date.

SCHEDULE 2 : RESERVES AND SURPLUS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
CAPITAL RESERVE		
Cash Subsidy	2.57	2.57
Surplus on re-issue of forfeited shares	1.55	1.55
	<u>4.12</u>	<u>4.12</u>
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	137.50	192.84
Transfer to Profit and Loss Account	91.67	55.34
	<u>45.83</u>	<u>137.50</u>
CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	100.00	100.00
INVESTMENT ALLOWANCE RESERVE		
As per last Balance Sheet	108.60	108.60
Transfer to Profit and Loss Account	108.60	-
	<u>-</u>	<u>108.60</u>
SECURITIES PREMIUM ACCOUNT		
Premium Received on Conversion of Preferential Convertible Warrants	247.95	-
Less : Balance of FCCB Issue Expenses Written off	130.89	-
	<u>117.06</u>	<u>-</u>
GENERAL RESERVE		
As per last Balance Sheet	291.82	219.64
Less : Increase in Gratuity liability for past periods	40.55	-
Add: Transfer from Profit and Loss Account	148.50	72.18
	<u>399.77</u>	<u>291.82</u>
PROFIT AND LOSS ACCOUNT		
Balance as per account annexed	2,559.02	1,349.06
Total	<u>3,225.80</u>	<u>1,991.10</u>

SCHEDULE 3 : SECURED LOANS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
DEBENTURES		
10% Non Convertible Debentures	91.67	183.33
FROM BANKS / FINANCIAL INSTITUTIONS		
Working Capital Loans	2,430.83	490.33
Foreign Currency Loans	148.45	300.44
Rupee Term Loans	5,165.82	1,715.84
Total	<u>7,836.77</u>	<u>2,689.94</u>

Notes:

- 1) 10% Non-Convertible Debentures privately placed with Financial Institutions outstanding are to be fully redeemed at par on 6th November 2007 and are secured by registered mortgage in favour of the Trustees on immovable properties of Soda Ash Division situated at Village Sutrapada, Veraval in Gujarat and hypothecation of specified movable assets of Soda Ash Division.

2) Foreign Currency Loans from Banks / Institutions have been secured against:-

- Loan aggregating to Rs. 35.23 Million has been secured against first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at (1) Village Sutrapada and Kadwar, Veraval in Gujarat (2) Noida in Uttar Pradesh (3) Ahmedabad properties and hypothecation of specified movable assets of Soda Ash Division both present and future.
- Loan aggregating to Rs. 9.61 Million has been secured by way of exclusive first charge on moveable fixed assets pertaining to the Company's ITES Division both existing and thereafter acquired.
- Loan aggregating to Rs. 103.61 Million has been secured against first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at village Sutrapada, Veraval in Gujarat and hypothecation of specified movable assets of Soda Ash Division both present and future.

3) Rupee Term Loans from Banks / Institutions have been secured against :-

- Loan aggregating to Rs. 702.20 Million is secured by first charge on pari passu basis by way of equitable mortgage on Factory Land & Building of Textile Division situated at Paravai and Manaparai, Tamil Nadu and hypothecation of specified movable assets both present and future of the Company's Textile Division. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
- Loan aggregating to Rs. 1,811.50 Million is secured by first charge on pari passu basis by way of equitable mortgage on fixed assets of the Textile Division situated at Vapi, Gujarat and hypothecation of movable assets both present and future of the Company's Textile Division at Vapi, Gujarat with other term lender of the said project. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
- Loan aggregating to Rs. 107.10 Million is secured by an exclusive first charge by way of equitable mortgage on immovable properties pertaining to Wind Mill Division - I situated at Irukandurai Village, Tirunelveli District in the state of Tamil Nadu and hypothecation of all present and future movable assets of Wind Mill Division - I. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
- Loan aggregating to Rs. 149.10 Million is secured by an exclusive first charge on all present and future movable assets of Wind Mill Division - II situated at Chinnaputhur, near Poolavadi in the state of Tamil Nadu. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
- Loan aggregating to Rs. 82.50 Million is secured by an exclusive first charge on all present movable assets of Edible Salt Division situated at Thirupurur and Vedaranyam and Industrial Salt Division.
- Loan aggregating to Rs. 250.00 Million is secured by way of Demand Promissory Note and first pari passu charge on movable fixed assets of Soda Ash Division situated at Village Sutrapada, Veraval in Gujarat.
- Loan aggregating to Rs. 187.50 Million is secured by way of first pari passu charge on movable fixed assets of Soda Ash Division situated at Village Sutrapada, Veraval in Gujarat.
- Loan aggregating to Rs. 1,875.92 Million is secured by way of first pari passu charge on movable fixed assets of Soda Ash Division situated at Village Sutrapada, Veraval in Gujarat.

- 4) Working Capital Loans / Bill discounting from Banks / Financial Institutions are secured by way of hypothecation of stock-in-trade and book debts of Soda Ash / Home Textile Division / Edible Salt / Textile Divisions and second charge on fixed assets of Soda Ash Division / Home Textile Division, both present and future.

- 5) Specified movable assets referred to in the above notes include all movable assets of Soda Ash Division (save and except book debts 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

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
Interest free Sales Tax loan	1.45	2.90
Total	<u>1.45</u>	<u>2.90</u>

SCHEDULE 4 A : UNSECURED FOREIGN CURRENCY CONVERTIBLE BONDS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
Foreign Currency Convertible Bonds	3,500.95	3,642.63
Total	3,500.95	3,642.63

- The Company has issued 1% Foreign Currency Convertible Bonds (FCCBs) of a face value of US \$ 10,000 each, aggregating to US \$ 80.50 Million. As per the terms of the issue, the subscribers have an option to convert bonds into Equity Shares at a price which has been fixed as of 21st September 2006 at Rs. 197.271 (US \$ 1 = Rs. 45.838) such conversion option is exercisable between 21st September 2006 and 21st March 2011. The FCCBs may be redeemed in whole, but not in part, at the option of the Company at any time on or after 21st September 2008 and prior to 21st March 2011, at an early redemption amount on predetermined terms. Unless previously converted, redeemed or cancelled, the FCCBs will be redeemed in US Dollars on 21st March 2011 at 139.426 % of their principal amount. As on 31st March 2007 none of the FCCBs have been converted into Equity Shares.
- The Company expects that the FCCB Bond holders would opt for the conversion rather than redemption and in that case no premium would be payable and on that basis same has not been provided and is shown as contingent liability. However the premium, if paid would be adjusted against the available Securities Premium Account / charged to Profit and Loss Account at the time of redemption.

SCHEDULE 5 : FIXED ASSETS

(Rs. in Million)

PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK	
	As at 01.01.2006	Additions (Deletions)	As at 31.03.2007	As at 01.01.2006	Additions (Deletions)	As at 31.03.2007	As at 31.03.2007	As at 31.12.2005
TANGIBLE ASSETS								
Leasehold Land	60.07	-	60.07	7.76	1.04	8.80	51.27	52.31
Freehold Land	305.71	27.20 (6.55)	326.36	-	-	-	326.36	305.71
Buildings	869.08	411.38	1,280.46	221.42	37.42	258.84	1,021.62	647.66
Plant and Machinery	5,353.64	4,762.23 (14.06)	10,101.79	3,335.78	422.66 (6.28)	3,752.16	6,349.63	2,017.86
Furniture and Fixtures	74.09	10.70 (0.04)	84.75	30.33	6.02 (0.02)	36.33	48.42	43.76
Office Equipments	95.46	27.17 (5.47)	117.16	53.14	7.98 (5.24)	55.88	61.28	42.32
Vehicles	34.06	4.96 (4.61)	34.43	13.33	3.82 (2.08)	15.07	19.36	20.75
Wind Turbine Generators	404.30	-	404.30	20.82	26.68	47.50	356.80	383.48
Leased Mines	198.19	253.64	451.83	19.10	39.24	58.34	393.49	179.09
INTANGIBLE ASSETS								
Goodwill	26.23	-	26.23	24.92	1.31	26.23	-	1.31
Software	4.32	13.42	17.74	1.62	1.48	3.10	14.64	2.70
Salt Works Reservoirs and Pans	173.00	117.96	290.96	60.93	39.49	100.42	190.54	112.07
Total	7,598.17	5,628.66 (30.75)	13,196.08	3,789.15	587.14 (13.62)	4,362.67	8,633.41	3,809.02
Previous Year	7,276.13	342.39 (20.35)	7,598.17	3,497.06	297.15 (5.06)	3,789.15	3,809.02	

- Buildings include a sum of Rs. 9.14 Million (Previous Year Rs. 9.14 Million) being cost of office premises acquired on ownership basis.
- Pending transfer of lease rights / extension of lease of salt fields at Vedaraniam (Tamilnadu) the advance of Rs. 45.00 Million paid has been apportioned to various assets as per the valuation report (see note 2 of Schedule 16).
- Leased mines represent expenditure incurred on development of mines.
- Cash subsidies amounting to Rs. 41.66 Million relating to Home Textile Division at Vapi has been reduced from related fixed assets.

SCHEDULE 6 : INVESTMENTS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
LONG TERM INVESTMENTS (AT COST)		
OTHER THAN TRADE		
Quoted		
8,300 Equity shares of HDFC Bank Limited of Rs. 10/- each fully paid up	0.08	0.08
68,598 Equity shares of IDBI Limited of Rs. 10/- each fully paid up	4.93	4.93
2,595 Equity Shares of Dena Bank of Rs. 10/- each fully paid up	0.07	0.07
4,500 Equity Shares of Canara Bank of Rs. 10/- each fully paid up	0.16	0.16
	5.24	5.24
Unquoted		
Government securities - 7 year National Savings Certificates (Pledged with Government Authorities)	0.78	0.78
SHARES IN WHOLLY OWNED SUBSIDIARY COMPANY - (Unquoted)		
750,000 Equity Shares of Rs. 10/- each fully paid of Colwell & Salmon Communications (India) Ltd.	7.50	7.50
2,000 Equity Shares of US \$ 1.00 each fully paid up of Colwell & Salmon Communications Inc, USA	131.44	131.44
221,586 (P.Y. 174,873) Equity Shares of EURO 100 each fully paid up of Indian Britain BV (46,713 shares subscribed during the period)	1,193.61	939.91
	1,332.55	1,078.85
Total	1,338.57	1,084.87
	As at 31.03.2007	As at 31.12.2005
	Book Value	Book Value
	Market Value	Market Value
Quoted	5.24	5.24
Others	1,333.33	1,079.63
	1,338.57	1,084.87

(Details of Investments purchased and sold during the period - See Note No. 27 of Schedule 16)

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
CURRENT ASSETS		
Inventories (as taken, valued and certified by the Management)		
At cost or net realisable value which ever is lower		
Raw materials	1,287.23	593.30
Finished goods	409.97	183.79
Stock in process	160.35	55.00
Stores and Spares	273.62	249.43
Total	2,131.17	1,081.52
Sundry Debtors (Unsecured, considered good unless stated otherwise)		
Outstanding over six months		
Considered good	143.55	2.06
Considered doubtful	11.14	11.04
Provision for Doubtful Debts	(11.14)	(11.04)
Total	143.55	2.06
Other debts	975.20	771.12
Total	1,118.75	773.18
Cash & Bank Balances		
Cash balance on hand		
	2.80	1.02
Current Account with Banks		
- Scheduled Banks	146.60	162.57
- Non Scheduled Banks		
Deutsche Bank		
(maximum balance Rs. 1.33 Million Previous Year Rs. 2,595.79 Million)	1.33	0.54
Fixed deposit		
- Scheduled Banks	189.79	62.92
(Pledged with Govt Authorities/ Banks-Rs. 8.01 Million, Previous Year Rs. 7.66 Million)		
- Non Scheduled Banks		
Deutsche Bank Singapore AG	-	684.41
(maximum balance Rs. 684.41 Million Previous Year Rs. 3,510.80 Million)		
In Margin Account	2.69	4.83
Remittances in transit	100.79	104.14
Total	444.00	1,020.43
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received - Considered Good		
	1,224.52	765.59
Share application money for Shares in wholly owned Subsidiary Company		
	-	253.69
Due from Wholly owned Subsidiary Companies		
- Loans	2,480.51	1,772.43
- Others	242.14	109.74
Total	2,722.65	1,882.17
Interest Accrued on Investments		
	0.58	0.58
Balances with Customs, Port Trust, Central Excise etc.		
	331.76	53.26
Advance Income Tax / Fringe Benefit Tax paid / Tax Deducted at Source (net of provisions)		
	54.23	-
Fixed Deposits with Sardar Sarover Namada Nigam Ltd. (Pledged with the Govt Authorities)		
	0.60	0.60
Total	4,334.34	2,955.89

SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
CURRENT LIABILITIES		
Sundry Creditors for Goods and Expenses	748.13	597.54
Sundry Creditors for Capital Expenditure	598.60	134.40
Sundry Creditors-Small Scale Industrial Undertakings	3.04	1.60
Advances from Customers	24.77	33.97
Trade Deposits from Dealers	10.88	11.18
* Investor Education & Protection Fund in respect of		
- Unclaimed Dividend	22.42	31.03
- Unclaimed Fixed Deposits	0.68	1.13
- Interest Accrued on Unclaimed Fixed Deposits	0.16	0.30
Other liabilities	413.37	772.08
Interest accrued but not due	1.33	3.86
Total	1,823.38	1,587.09
PROVISIONS		
Wealth Tax	3.26	3.05
Provision for Income Tax (net of Advance Tax)	-	69.29
Provision for Fringe Benefit Tax (net of Advance Tax)	-	2.98
Proposed Dividend on Equity Shares	268.89	228.21
Tax on Dividend	45.70	32.00
Total	317.85	335.53

* The figure reflects the position as of 31st March 2007. 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

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Interest on Investment	0.03	-
Dividend Income	0.50	0.10
Interest on Income Tax Refund	0.66	2.28
Gain on Exchange (net)	11.72	9.60
Profit on sale of Investment (net)	9.80	4.42
Sundry Credit Balances Written back (net)	25.35	16.14
Rent Income	10.13	6.26
(Tax Deducted at Source Rs. 2.25 Million Previous year Rs. 1.20 Million)		
Miscellaneous Income	46.65	11.07
Total	104.84	49.87

SCHEDULE 10 : MANUFACTURING EXPENSES

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Raw Materials Consumed	2,789.28	1,327.94
Stores and Spares	160.37	97.06
Repairs and Maintenance		
Machinery	96.41	53.84
Building	4.82	1.76
Others	10.46	7.77
	111.69	63.37
Power, Fuel and Water	1,100.66	570.35
Other Manufacturing Expenses	488.65	208.75
Packing Expenses	209.16	98.65
Operating Expenses for Services	23.44	30.73
Total	4,883.25	2,396.85

SCHEDULE 11 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Salaries, Wages and Bonus	453.05	210.87
Contribution to PF and other funds	65.48	27.48
Staff Welfare	44.48	19.51
Total	563.01	257.86

SCHEDULE 12 : ADMINISTRATIVE AND MISCELLANEOUS EXPENSES

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Travelling & Conveyance	95.57	39.04
Rent and Lease Rent	34.52	21.19
Rates and Taxes	11.89	2.79
Insurance	60.54	22.90
Commission to Directors	81.00	37.71
Communication Expenses	24.44	13.29
Legal & Professional Expenses	94.94	42.42
Miscellaneous Expenses	63.86	30.62
Deferred Revenue Expenditure written off	19.02	17.93
Bad Debts / Irrecoverable amounts written off (net)	0.15	2.29
Donation	2.50	2.60
Provision for Doubtful Debts	0.10	6.58
Investment written off	-	0.07
Deficit on Sale/ Discarding of Fixed Assets (net)	1.33	0.37
Total	489.86	239.80

SCHEDULE 13 : SELLING AND DISTRIBUTION EXPENSES

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Cash Discount	43.48	26.65
Freight and Forwarding	390.64	206.78
Commission on Sales	262.93	159.28
Rent on Godowns	4.30	1.10
Total	701.35	393.81

SCHEDULE 14 : (INCREASE) / DECREASE IN STOCK

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Opening stock		
Finished Goods	183.79	101.33
Stock in Process	55.00	58.48
	(A)	238.79
Closing stock		
Finished Goods	409.97	183.79
Stock in Process	160.35	55.00
	(B)	570.32
(Increase) / Decrease in Stock	Total (A-B)	(331.53)
		(78.98)

SCHEDULE 15 : FINANCIAL EXPENSES

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Interest - Fixed Loans	348.71	68.19
- Others	218.70	37.55
Other Financial Charges	46.72	36.76
	614.13	142.50
Less : Interest and Financial charges capitalised	170.37	8.26
Less : Interest from Subsidiary Companies	142.57	4.44
Less : Interest Income Others	113.61	51.80
Total	426.55	64.50
	187.58	78.00

SCHEDULE 16 : NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

Revenue Recognition

Sales represent value of goods sold and revenue from trade related activities as reduced by quality claims and rebates but includes excise duty and export benefits under DFRC Scheme. Income from services represents revenue from IT-Enabled Services rendered during the period.

Fixed Assets and Depreciation

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

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

Machinery spares which are used only in connection with an item of fixed assets and whose use is not regular in nature are capitalised and written off over the estimated useful life of the relevant assets. The written down value of such spares is charged to the Profit and Loss Account on issue for consumption.

Government Grants

Cash Subsidies relating to specific fixed assets are shown as deduction from the cost of the assets concerned in arriving at its book value.

Impairment of Assets

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

Investments

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

Inventories

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

Foreign Currency Transactions

Transaction denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of contract is recognized as exchange difference and the premium paid on forward contracts is recognized over the life of the contract.

Non-monetary foreign currency items are carried at cost.

Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss Account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

Derivative Instruments

Gain or loss in respect of Financial Derivatives are accounted in Profit and Loss Account on the date of settlement. In addition where there are contracts for termination or winding up of financial derivatives, they are also given effect in the Profit and Loss Account.

Retirement Benefits

Contribution payable to recognized Provident Fund and Superannuation Scheme which are defined contribution scheme is charged to Profit and Loss Account. Gratuity and Leave Encashment which are defined benefit Schemes are accounted for on accrual basis. The

Company has opted for a Group Gratuity Scheme and the contribution is charged to the Profit and Loss Account each year.

Deferred Revenue Expenditure

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

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

Intangible Assets

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

On amalgamation / acquisition 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 five years.

Borrowing costs

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

Leases

Leases entered into before 1st April 2001 are treated as operating leases and lease rental paid are charged to Profit and Loss Account. Leases entered into on or after 1st April, 2001 are accounted in accordance with Accounting Standard - 19 Leases issued by the Institute of Chartered Accountants of India.

Taxation

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

Provisions, Contingent Liabilities and Contingent Assets

In accordance with Accounting Standard - 29 Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

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

B. NOTES

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
1 (a) Estimated value of contracts remaining to be executed on Capital Account and not provided for	571.63	1,316.73
(b) Contingent Liabilities :		
(i) Guarantees issued by banks	44.70	36.43
(ii) Letters of Credit	468.31	549.08
(iii) Bills discounted with banks (since realized)	249.73	39.98
(iv) Claims against the Company not acknowledged as debts		
- Income Tax & Wealth Tax	37.58	27.67
- Sales Tax	12.05	12.05
- Excise matters	2.33	3.55
- Other claims	43.16	51.10
(v) Corporate guarantee & Standby Letters of Credit to Bank on behalf of subsidiaries of the Company	4,441.45	107.48
(vi) Premium on redemption of Foreign Currency Convertible Bonds	1,380.28	-
(The Contingent Liabilities in respect of bank guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise)		
(c) Export Obligation on duty free imports	4,534.35	1,416.94

2 An amount of Rs. 45 Million paid as an advance to DCW Ltd. towards purchase of salt fields at Vedaranyam (Tamil Nadu), was secured by Bank Guarantee for equivalent amount, had been apportioned to respective assets during the previous years as per the valuation report in view of the interim injunctions issued by Hon'ble High Court, Madras, in favour of the Company and amortized / depreciated in the books of account. Applications for transfer of lease rights / extension of lease period has been filed with the appropriate authorities but the permission is yet to be granted by the authorities.

The Company has encashed the Bank Guarantee and the funds received on encashment of Bank Guarantee have been kept in a separate Fixed Deposit account with a bank as mentioned in the exparte order issued by the sole arbitrator subject to further order on the application received from DCW Ltd. Arbitration proceedings have been concluded and order is awaited. On receipt of arbitration order, adjustment if any shall be carried out in the books.

- 3 Provision for taxation includes Rs. 0.50 Million (previous year Rs. 0.30 Million) for Wealth Tax.
The tax year for the Company, being the year ending 31st March, the provision for taxation for the period is the aggregate of the provision made for the three months ended 31st March 2006 and the provision based on the figures for the remaining twelve months upto 31st March 2007.
- 4 Interest Free Sales Tax Loan Rs. 1.45 Million (Previous Year Rs. 1.45 Million) is due within one year.
- 5 Sundry Debtors, Creditors and Loans and Advances are subject to confirmation and consequential adjustment, if any.
- 6 Unquoted investments include shares in Collwel & Salmon Communications (India) Limited and Indian Britain BV subsidiary companies, which are of long term strategic value. In the opinion of the management, the current diminution in the value of these investments is temporary in nature considering the inherent value and nature of investee's business proposal and hence no provision is required.
- 7 During the period, the Company has further subscribed 46,713 fully paid up equity shares of its wholly owned subsidiary Indian Britain BV for a consideration of Rs. 253.69 Million.
- 8 The Company through its overseas subsidiary has acquired the following overseas Companies during the period.

	% of Holdings
Indrom Chemicals SA	100%
GHCL International Inc.	100%
Dan River Inc.	100%
Dan River International Limited	100%
Dan River Factory Stores Inc.	100%
The Bibb Company LLC	100%
GHCL Rosebys Limited (Formerly known as Bealaw (Man) 17 Limited)	100%
Rosebys Operations Limited	100%
Rosebys Holdings Limited	100%
Rosebys (2004) Limited	100%
Rosebys Unlimited	100%
Best Textile International Limited	100%
Best Real Properties Inc.	100%
Crowntex International Incorporated	85.33%
Royal Crowntex International Inc.	100%
X-Etra De Mexico SA Maxico	100%
Maysun Land Limited	49%

- 9 Provision for doubtful debts includes Rs. 7.6 Million for balance receivable from Product Direct Limited due to an unfavorable decree issued. The balance shall be written off after appropriate approval from Reserve Bank of India is obtained.
- 10 Exceptional item represents gain on restatement of Foreign Currency Convertible Bonds balances and loan to subsidiaries resulting from the FCCB proceeds.
- 11 In accordance with the requirements of Accounting Standard - 19 Leases issued by the Institute of Chartered Accountants of India, future obligation/rights as on Balance Sheet Date for lease arrangements amount to :-

	(Rs. in Million)	
	Receivable	Payable
Due within one year	4.26	12.59
Due within the following four years	Nil	19.06
Due after five years	Nil	Nil

- 12 The value of Finished Goods includes excise duty not paid Rs.1.87 Million (Previous Year Rs.7.92 Million). The value of Lignite at mines includes royalty of Rs. 0.41 Million (Previous Year 0.84 Million) on the closing stock. This has however, no impact on the profit for the year.
- 13 Loans & Advances includes Rs. 638.38 Million (Previous Year Rs. 435 Million) paid as advance for purchase of materials and services outstanding for more than six months and considered good and Rs. 0.03 Million advance against accommodation paid to Director and relative of Director (Previous Year - Rs. 0.03 Million). Maximum outstanding balance during the period Rs. 0.03 Million (Previous Year - Rs. 0.03 Million) and lease rent includes Rs. 0.13 Million paid to the Director (Previous Year - Rs. 0.10 Million) and Rs. 0.17 Million paid to relative of the Director (Previous Year - Rs. 0.09 Million).
- 14 The Company has adopted the revised Accounting Standard - 15 Employee Benefits as issued by the Institute of Chartered Accountants of India. Pursuant to this, based on actuarial valuation :
- (i) the additional opening liability for defined benefit plans towards Gratuity amounting to Rs. 40.55 Million has been adjusted against balance in General Reserve
- (ii) Current year's additional charge of Rs. 2.08 Million for Gratuity is debited to Profit and Loss Account

The following table set out the status of the Gratuity Plan as required under AS -15

	(Rs. in Million)
Total Past Service Liability	113.21
Current Fund Size	72.66
Remaining Past Service Liability	40.55
Actual return on plan assets	
Assumptions	
Interest Rate	8%
Estimated rate of return on plan assets	8%
Estimated future salary growth	7%

15 Related Party Transactions:

a Subsidiary :

Colwell & Salmon Communications (India) Limited
Colwell & Salmon Communications Inc, USA
Indian Britain B V Netherlands
Indian England N V Netherlands
Indian Wales N V (Formerly known as Melidor N V Netherlands)
GHCL Inc. USA.
S C GHCL Upsom SA (Formerly known as S C Bega Upsom SA Romania)
Indrom Chemicals SA
GHCL International Inc.
Dan River Inc.
Dan River International Limited
Dan River Factory Stores Inc.
The Bibb Company LLC
GHCL Rosebys Limited (Formerly known as Bealaw (Man) 17 Limited)
Rosebys Operations Limited
Rosebys Holdings Limited
Rosebys (2004) Limited
Rosebys Unlimited
Best Textile International Limited
Best Real Properties Inc.
Crowntex International Incorporated
Royal Crowntex International Inc.
X-Etra De Mexico SA Maxico
Maysun Land Limited

b Key Management Personnel:

P. Sampath, Managing Director
R. S. Jalan, Managing Director
Tej Malhotra, Sr. Executive Director - Operations

c Relative of Key Management Personnel:

Vidyavati Malhotra, m/o Tej Malhotra
Sashi Malhotra, w/o Tej Malhotra
Pushpa Sampath w/o P. Sampath

16 Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March, 2007

Type of Transactions	Subsidiary	Key Management Personnel	(Rs. in Million)
			Relative of Key Management Personnel
1 Purchase or Sale of Goods / others:			
- Sale	339.89		
- Purchase	97.73		
- Expenses	9.03		
2 Leasing & Hire purchase transactions	-	0.13 (0.10)	0.17 (0.09)
3 Finance:			
- Loans & Advances	840.48 (1,812.14)		
- Equity	253.69 (947.12)		
- Advance for Shares	-		
	(253.69)		

4	Services:			
	- Income	115.79		
		(45.58)		
	- Expenses	29.66		
		(10.28)		
	- Others / Interest Charged	150.71		
		(2.16)		
5	Remuneration		72.75	
			(35.95)	
6	Dividend on Shares			0.01
				(0.01)
7	Balances as on 31st March, 2007:			
	- Investments	1,332.55		
		(1,078.85)		
	- Loans & Advances	2,722.65		
		(1,882.17)		
	- Advance for Shares & preferrantial warrants	-		
		(253.89)		
	- Advances for Rental Accommodation		0.02	0.02
			(0.02)	(0.02)
	- Debtors	19.62		
		(17.76)		
	Creditors	2.39		
		(3.60)		

Figures in brackets relate to period ended 31st December 2005

	As at 01.01.2006	Current Period Charge/(Credit)	(Rs. in Million) As at 31.03.2007
17	Deferred Tax		
a)	Deferred tax liability on account of:		
	i) Depreciation	683.13	323.68
	ii) Others		
	Deferred Revenue Expenditure	113.49	95.55
	Total (A)	796.62	419.23
b)	Deferred tax assets on account of:		
	i) Employee Benefit	2.63	4.94
	ii) State & Central Taxes & Cess	6.49	0.32
	iii) Provision for Bad Debts	-	3.35
	Total (B)	9.12	8.61
	Total (A-B)	787.50	410.62

Current period charge / (credit) includes Rs. 2.65 Million on account of prior period adjustment.

	For the Period Ended 31.03.2007 (Rs. in Million)	For the Period Ended 31.12.2005 (Rs. in Million)
18	Capital work In Progress includes Incidental Expenditure during Project Implementation/Expansion	
1	Material for trial run & start up for machinery	25.67
2	Power & Fuel	28.56
3	Salaries, Wages, Gratuity etc.	5.08
4	Contribution to Provident & Other Funds	0.92
5	Staff Welfare	-
6	Communication Expenses	0.02
7	Travelling & Conveyance	4.29
8	Rent & Lease Rent	-
9	Repair and Maintenance - Others	-
10	Insurance	6.81
11	Rates & Taxes	0.12
12	Legal and Professional Expenses	0.63
13	Miscellaneous Expenses	20.48
14	Financial Charges	18.66

15	Interest Charges	133.89	7.01
	Less : Interest Received on FDR	-	0.13
16	Depreciation	-	0.30
		245.13	58.03
	Less: Miscellaneous Income	-	0.05
	Less: Stock of fabric for trial run	-	7.63
		-	7.68
	Total Preoperative Expenses	245.13	50.35
	Add : Preoperative expenses incurred up to previous year	65.36	15.01
		310.49	65.36
	Less : Capitalised during the period	284.31	-
	Balance	26.18	65.36

19 Raw material and Power & Fuel costs include expenditure on captive production of Salt, Limestone, Briquette and Lignite as under:

	For the Period Ended 31.03.2007 (Rs. in Million)	For the Period Ended 31.12.2005 (Rs. in Million)
Manufacturing Expenses	160.81	70.56
Stores and spares consumed	3.49	2.39
Power and Fuel	34.01	15.82
Cess and Royalty	37.58	23.64
Repairs and Maintenance		
Building	0.87	0.22
Plant and Machinery	6.79	6.63
Earth Work	9.15	5.86
Others	2.53	1.79
Salaries and Wages	60.64	36.56
Travelling & Conveyance	1.83	1.71
Lease Rent	6.97	4.56
Rates and Taxes	1.65	0.34
Insurance	4.77	2.41
Interest - Fixed Loan	23.45	10.95
Misc. Expenses (Including Deferred Revenue & Intangible Expenses)	30.68	17.46
Less: Interest on Investments (other than trade)	(0.03)	(0.05)
Other Misc. Income	(37.39)	(14.83)
Cost of Goods Sold	-	(1.09)
	(37.42)	(15.97)
TOTAL	347.80	184.93

	For the Period Ended 31.03.2007 (Rs. in Million)	For the Period Ended 31.12.2005 (Rs. in Million)
20	Payment to Auditors	
(a)	To Statutory Auditors : (excluding service tax)	
	Audit fee	1.00
	Tax Audit Fee	0.06
	Limited Review Report	0.50
	Certification	0.44
	Audit of financial statements	1.00
	Taxation matters	0.85
	Others	0.08
	Out of pocket expenses	0.20
	(Certification includes Rs. 0.07 Million (P. Y. Rs. 0.47 Million) shown in Preoperative expenses)	
(b)	To Cost Auditors : (excluding service tax)	
	Audit Fee	0.08
	Out of pocket expenses	0.02

21 Managerial Remuneration

	For the Period Ended 31.03.2007 (Rs. in Million)	For the Period Ended 31.12.2005 (Rs. in Million)
(a) Wholetime Directors		
Salaries	9.15	4.75
Contribution to Provident and Superannuation funds	1.73	0.90
Perquisites	2.56	1.33
Gratuity	0.31	0.16
Commission	59.00	28.80
(b) Other Directors		
Sitting Fees	1.64	0.36
Commission	22.00	8.91
	<u>96.39</u>	<u>45.21</u>
(c) Computation of Net Profit as per Section 349 / 350 of the Companies Act, 1956		
Profit for the period (as per Profit & Loss Account)	1,482.78	721.31
Add :		
Provision for Taxation	676.95	299.57
Managerial Remuneration & Sitting fees	96.39	45.21
Provision for Doubtful Debts	0.10	6.58
Deferred Revenue Expenses charged to Profit and Loss Account	31.95	51.67
Investment written off	-	0.07
	<u>2,288.17</u>	<u>1,124.41</u>
Less :		
Profit on Sale of Investment (Net)	9.80	4.42
Profit on Sale of Assets	4.69	-
Deferred Revenue Expenses incurred during the period	3.84	141.05
Exchange gain on FCCB and related advances-Exceptional item	63.76	-
Net Profit u/s 349 of the Companies Act, 1956	2,206.08	978.94
Commission payable to :-		
Managing Directors and Executive Director as decided by the Board	59.00	28.80
Non-Wholetime Directors as decided by the Board	22.00	8.91
22 Expenditure in Foreign Currencies:		
Foreign Travel	15.19	15.23
Commission on Export Sales	20.39	13.30
Interest and Commitment Charges	131.96	87.26
Others	40.28	68.61
23 Remittances during the period in foreign currency on account of		
Dividends to non-resident shareholders	9.88	8.31
Dividend for the financial year ended	Dec. 2005	2004-05
Number of Non-resident Shareholders	831	868
Number of Shares	4,119,008	4,153,908
24 Earnings in foreign exchange		
Export of Finished Goods on F.O.B basis	2,137.02	708.83
Recovery towards Freight etc. on Exports	173.17	84.83
Export Income from services	-	8.89
Others	96.72	30.57
25 Value of imports on CIF Basis:		
Raw Materials and Utilities	724.26	313.77
Components and spare parts	30.86	6.74
Capital Goods	755.15	498.20
Trading Goods	260.55	-

26 Quantitative information in respect of Company's operations:

(a) Capacity (as certified by the Management)

	Unit	For the Period Ended 31.03.2007 (Annualised)		For the Period Ended 31.12.2005 (Annualised)	
		Installed	Licensed	Installed	Licensed
Soda Ash	MT	850,000	N.A.	600,000	N.A.
Refined Salt	MT	200,000	N.A.	200,000	N.A.
Yarn - Spindles	Nos.	115,000	N.A.	82,592	N.A.
Rotors	Nos.	384	N.A.	384	N.A.
Detergent	MT	24,000	N.A.	24,000	N.A.
Wind Turbine Generators	MW Per Hour	8.40	N.A.	8.40	N.A.
Cloth Looms	Nos.	96	N.A.	-	N.A.
Cloth Processing	MTRS. ('000)	34,000	N.A.	-	N.A.

	UNIT	For the Period Ended 31.03.2007		For the Period Ended 31.12.2005	
		Quantity	Rs. in Million	Quantity	Rs. in Million
(b) Opening Stock					
Soda Ash	MT	10,899	61.96	2,609	12.10
Yarn	MT	312	40.69	514	61.61
Cloth	MTRS. ('000)	321	51.60	164	16.05
Bed Sheet Sets	No. (000)	21	20.13	-	-
Others			9.41		11.57
			<u>183.79</u>		<u>101.33</u>
(c) Production					
Soda Ash	MT	667,487		392,392	
Refined Salt	MT	104,405		38,532	
Yarn	MT	9,921		4,319	
Cloth - Job work +					
Own Production	MTRS. ('000)	12,601		4,207	
Detergent	MT	8,762		4,679	
Bed Sheet Sets - Job Work	No. (000)	690		102	
(d) Purchase of Trading Goods			1,660.05		206.86
(e) Purchase					
Soda Ash	MT	11,082		-	
Yarn	MT	15,848		1,370	
Cloth	MTRS. ('000)	7,172		621	
(f) Consumption for internal use					
Soda Ash *	MT	28,071		13,255	
Yarn		2,617		1,035	
Cloth		8,609		558	
(g) Sales					
Soda Ash	MT	653,805	7,143.67	370,847	3,887.68
Yarn	MT	22,869	2,175.82	4,855	649.77
Cloth	MTRS. ('000)	6,835	817.77	3,949	350.45
Bed Sheet Sets	No. (000)	467	450.23	81	100.11
Others			981.41		217.91
			<u>11,568.90</u>		<u>5,205.92</u>
(h) Closing Stock					
Soda Ash	MT	7,592	57.82	10,899	61.96
Yarn	MT	595	79.01	312	40.69
Cloth	MTRS. ('000)	4,650	148.26	321	51.60
Bed Sheet Sets	No. (000)	244	119.58	21	20.13
Others		NA	5.30	NA	9.41
			<u>409.97</u>		<u>183.79</u>

* Including transit differences.

(i) Consumption of Raw Materials and Consumables

Salt	MT	1,329,223	638.97	729,091	332.33
Lime Stone	MT	1,221,684	249.36	732,941	142.29
Coke	MT	81,785	552.43	47,428	340.13
Cotton & Staple Fibre	MT	13,304	882.48	5,941	341.63
Yarn	MT	420	52.12	380	89.24
Fabric	MTRS. ('000)	2,130	234.30	127	10.80
Others			179.62		71.52
			<u>2,789.28</u>		<u>1,327.94</u>

The consumption of Lime Stone is net of undersize realization Rs. 17.38 Million (Rs. 8.06 Million).

The raw material consumption is net of insurance claim received during the period.

	For the Period Ended 31.03.2007		For the Period Ended 31.12.2005	
	Value of Consumption	% AGE	Value of Consumption	% AGE
(j) Consumption of Raw Materials & Stores and Spares				
Raw Materials:				
Imported	210.05	7.53%	56.68	4.27%
Indigenous	2,579.23	92.47%	1,271.26	95.73%
	<u>2,789.28</u>	<u>100.00%</u>	<u>1,327.94</u>	<u>100.00%</u>
Stores and Spares:				
Imported	10.32	6.44%	7.59	7.82%
Indigenous	150.05	93.56%	89.47	92.18%
	<u>160.37</u>	<u>100.00%</u>	<u>97.06</u>	<u>100.00%</u>

27 DETAILS OF INVESTMENTS PURCHASED & SOLD DURING THE Period

Particulars of Investment	No. of Units
BIRLA CASH PLUS - INSTITUTIONAL GROWTH	1511963
BIRLA CASH PLUS - INSTITUTIONAL PREM. GROWTH	4244915
BIRLA SUNLIFE CASH MANAGER INSTITUTIONAL PLAN - GRWOTH	812137
CANLIQUID FUND - INSTITUTIONAL GROWTH	2566586
CHOLA LIQUID FUND REGULAR CUMULATIVE	1560554
DSPML FLOATING RATE FUND - REGULAR GROWTH	6092001
DSPML LIQUADITY FUND REGULAR GROWTH	35340922
FIDELITY CASH FUND SUPRE INSTITUTIONAL GROWTH	10834095
HDFC CASH MANAGEMENT FUND - CALL PLAN - GROWTH	591973
HDFC CASH MANAGEMENT FUND SAVING PLAN GROWTH	64551826
HDFC FLOATING RATE INCOME FUND - SHORT TERM PLAN - GROWTH	4011873
ICICI PRUDENTIAL INTITUTIONAL LIQUID PLAN - SUPER INSTITUTIONAL GROWTH	4585179
ING VYSYA LIQUID FUND INSTITUTIONAL GROWTH	19471708
LICMF FLOATING RATE FUND SHORT TERM PLAN - GROWTH	4675480
LICMF LIQUID FUND - GROWTH	2446789
PRINCIPAL CASH MANAGEMENT FUND - GROWTH	2094269
RELIANCE FLOATING RATE FUND GROWTH	1774244
RELIANCE LIQUID FUND CASH PLAN GROWTH OPTION GROWTH	1012317
RELIANCE LIQUIDITY FUND GROWTH	81999224
SBI MAGNUM INSTA CASH FUND - CASH OPTION	1676365
SBI MAGNUM INSTITUTIONAL INCOME FUND S. GROWTH	7236565
TATA FLOATING RATE STP - INSTITUTIONAL GROWTH	16799927
TATA LIQUID SUPER HIGH INVESTMENT FUND - APPRECIATION	7644
TATA LIQUIDITY MANAGEMENT FUND - GROWTH	36540
UTI LIQUID CASH PLAN INSTITUTIONAL GROWTH	459655
UTI MONEY MARKET FUND - GROWTH FUND	14973165

28 Deferred Revenue Expenditure:

Deferred Revenue Expenditure comprises of carrying amount as per Accounting Standard - 26 on Intangible Assets issued by The Institute of Chartered Accountants of India.

a Voluntary Retirement Scheme Expenses

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

b Salt Pans

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

c Software

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

d Prepayment Premium

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

e FCCB Issue Expenses

Due to the non availability of Securities Premium last year the Company had decided to amortise the FCCB issue expenses over the period of the borrowing. However during the current period the balance expenditure of Rs.130.89 Million has been adjusted against Securities Premium Account in accordance with the provision of Section 78 of the Companies Act. Due to this change the profit for the period is higher by Rs. 32.16 Million being the proportionate amount which would have been written off during the period.

29 Intangible Assets

Intangible Asset, meeting the definition as per the provisions of Accounting Standard - 26 Intangible Assets issued by The Institute of Chartered Accountants of India, comprises of:

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, ERP System and IT related expenses is being written off over a period of three years.

c Goodwill

Goodwill is amortized over a period of five years.

30 Impairment of Assets

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

	For the Period Ended 31.03.2007 (15 Months)	For the Period Ended 31.12.2005 (9 Months)
31 Earnings per Share (EPS)		
Basic EPS		
Earnings per Share has been computed as under:		
Profit after Taxation (Rs. in Million)	1,482.78	721.31
(Less)/Add : Prior Period Adjustment	(10.00)	(8.12)
	<u>1,472.78</u>	<u>713.19</u>
The weighted average number of		
Equity Shares for Basic EPS (B)	95,603,796	95,088,411
Earnings per share (Face value of Rs. 10/- per share) (A)/(B)	15.41	7.50
Earnings per share (Face value of Rs. 10/- per share) - Annualized	12.32	10.00
Diluted EPS		
Profit after Taxation (Rs. in Million)	1,506.63	713.19
Number of Equity Shares for Basic EPS	95,603,796	95,088,411
Add : Adjustment for Warrants convertible into Equity Shares	5,567,033	1,734,545
Add : Adjustment for FCCB convertible into Equity Shares	7,893,109	-
The weighted average number of Equity Shares for Diluted EPS	109,063,938	96,822,956
Earnings Per Share (Diluted)	13.81	7.37
Earnings Per Share (Diluted) - Annualized	11.05	9.82
32 Sundry Creditors includes Rs. 3.04 Million due to Small Scale Industrial Undertakings (Previous Year Rs. 1.60 Million) to the extent identified from the records of the Company as outstanding for more than 30 days from the following parties.		
Madura Polymers		
Texteema Engineers Industries		
White Polytex		
Packline Industries		
Suruli Polymers		
Ramalinga Packagings		
Balaji Ind Packs		
Super Paper Cones		
Gowtham Paper Products		
Shri Raja Paper Cone		
Shri Shanmuga Polybags		
Anand Paper Products		
Richy Package		
Associated Autotex Ancillaries (P) Ltd.		
Anish Equipments		
System Control		

Shree Venakateswara Engineering Works
Vijay Texts Spares

33 Category-wise quantitative data about derivative instruments that are outstanding as at 31st March 2007

	No. of Contracts	USD Equivalent (In Million)	INR Equivalent (In Million)
a)			
1 Forward (Dollar Receivables)	4.00	2.00	89.77
2 Coupon Only Swaps Against INR Loans	2.00	46.45	2,020.00
3 Forward (Dollar Payables)	2.00	0.53	24.73
4 Forward (CHF Payables)	1.00	0.86	37.60
b) The Company entered the derivative instruments i.e. options, forward, swaps, etc, to hedge the foreign currency risk of fluctuation and protect interest rate risk and not for speculation purposes.			
c) Foreign currency exposures that are not hedged by a derivative instrument or otherwise as at 31st March 2007			
Particulars			Rs. in Million
Import Payable			473.13
Foreign Currency Loans & Interest thereon			171.88

34 Disclosure as per Clause 32 of the Listing Agreement.

i) Loans and Advances in the nature of Loans given to Subsidiaries, Associates and Others

Name of the Company	Relationship	Amount o/s as at 31.03.2007 (Rs. in Million)	Max. Balance outstanding (Rs. in Million)	Investment in Shares of the Company (Rs. in Million)
Colwell & Salmon Communications (India) Limited	Subsidiary	101.62	106.82	-
Colwell & Salmon Communications Inc, USA	Subsidiary	21.75	21.75	-
Indian Britain B V	Subsidiary	2,499.77	2,499.77	253.69
Indian Wales N V	Subsidiary	48.61	48.61	-
Indian England N V	Subsidiary	22.55	22.55	-
GHCL Upsom Romania S A	Subsidiary	28.38	28.38	-

ii) Loans and Advances in the nature of Loans where there is no interest comprise employee loans of Rs. 9.69 (previous year Rs. 8.65 Million).

35 No Stock Options have been granted to the employees in terms of Employee Stock Option Scheme (ESOP) approved by the Shareholders.

36 The Company has changed its accounting year from December to March. The current period figures are for fifteen months as compared to nine months of the previous year and are hence not comparable.

37 Previous period's figures have been regrouped and reclassified wherever necessary.

Signature to Schedules 1 to 16

As per our report attached		For and on behalf of the Board	
For and on behalf of Jayantilal Thakkar & Co. Chartered Accountants	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Managing Director
		N. Giridhar Sr. General Manager - Accounts	Bhuvneshwar Mishra Company Secretary
Place : New Delhi Date : June 16, 2007		Place : New Delhi Date : June 16, 2007	

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

Balance Sheet Abstract and Company's General Business Profile:

I. Registration No. : 6513	State Code : 04	Balance Sheet Date : 31st March, 2007
II. Capital raised during the year (Amount in Rs. Thousands)		
Public Issue :	NIL	Right Issue :
Bonus Issue :	NIL	Private Placement :
		45,000
III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)		
Total Liabilities	16,825,536	Total Assets
		16,825,536
Sources of Funds		Application of Funds
Paid-up Capital	995,884	Net Fixed Assets
Advance against Preferential Warrants	66,573	Investments
Reserves and Surplus	3,225,798	Net Current Assets
Secured Loans	7,836,769	Misc. Expenditure
Unsecured Loans	3,502,393	
Deferred Tax Liability	1,198,119	
IV. Performance of Company (Amount in Rs. Thousands)		
Turnover	10,832,704	Total Expenditure
Profit / Loss Before Tax	2,159,728	Profit After Tax
Earning per Share in Rs.	15.41	Dividend Rate
		27%
		Equity Share :
		- Final
		27%
V. Generic Names of Three Principal Product / Services of Company (as per monetary terms)		
Item Code No. (ITC Code) :	2836.20	
Product Description :	Disodium Carbonate (Soda Ash)	
Item Code No. (ITC Code) :	5205.11,5205.19,5206.11,5206.12,5509.21,5509.22,5509.50	
Product Description :	Textiles falling within the above code numbers	

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 Communication Inc.	Colwell & Salmon Communication (India) Ltd.	Indian Britain BV	Indian England NV	SC GHCL Upcom SA	Indian Wales NV (Melidor NV)	GHCL Inc. USA	GHCL International Inc.	Dan River Inc. USA	Dan River International Limited	Dan River Factory Stones Inc.	The Bbb Company LLC	GHCL Rosebys Limited	Rosebys Operations Limited	Rosebys Holdings Limited	Rosebys (2004) Limited	Rosebys Unlimited	Indrom Chemicals SA
1.00	The financial period of the Subsidiary Company ended on	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st December 2006	31st March 2007	30th December 2006	30th December 2006	30th December 2006	30th December 2006	30th December 2006	30th December 2006	31st March 2007	31st March 2007	31st March 2007	31st March 2007	31st December 2006	
2.00	Date from which they became subsidiary Companies	24th January 2003	24th January 2003	17th November 2005	18th November 2005	8th June 2006	27th December 2005	3rd January 2006	8th June 2006	3rd January 2006	3rd January 2006	3rd January 2006	3rd January 2006	21st July 2006	28th July 2006	28th July 2006	28th July 2006	1st August 2006	
3.00	Number of shares held by GHCL Ltd. with its nominees in the subsidiaries at the end of the financial year of the subsidiary Company.	75000 Equity Shares of Rs. 10/- each	221596 Equity Shares of Rs. 10/- each	45380 Ordinary Shares of EURO 1/- each	45380 Ordinary Shares of EURO 1/- each	1526655 RON2.5 share	600 Ordinary Shares of EURO 1/- each	500000 Equity Shares of USD 0.01 each	1000 Equity Shares of USD 0.01 each	1000000 Shares of USD 0.01 each	100 shares of USD 0.01 each	1000 shares of USD 0.01 each	N.A.	10,000,001 Ordinary shares of GBP 1/- each	100,000,100 shares of GBP 0.01 each	100 shares of GBP 0.01 each	2 shares of GBP 1/- each	20 shares of RON 10/- each	
3.10	Extent of interest of holding Company at the end of the financial year of the subsidiary Company.	100.00%	100.00%	100.00%	100.00%	68.50%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
3.20	Name of the immediate holding company	GHCL Limited	GHCL Limited	GHCL Limited	GHCL Limited	Indian England NV	Indian Britain BV	GHCL INC. USA	GHCL International Inc.	Dan River Inc. USA	Dan River International Limited	Dan River Factory Stones Inc.	Dan River Inc. USA	Dan River Inc. USA	GHCL Rosebys Limited	GHCL Rosebys Limited	GHCL Rosebys Limited	Rosebys Holdings Limited (50%) & Rosebys (2004) Limited (50%)	Indian England NV
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 2007	USD 15184 INR 3.36 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	USD 154424 INR 21.61 Mn	
4.10.20	For the previous financial years of the subsidiary Company since it became the holding Company's subsidiary.	USD 467231 INR 20.44 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	USD 46516 INR 17.67 Mn	
4.20	Debit with in holding company's account																		

S. No.	Name of Subsidiary Company	Colwell & Salmon Communication Inc.	Colwell & Salmon Communication (India) Ltd.	Indian Britain BV	Indian England NV	SC GHCL Upcom SA	Indian Wales NV (Melidor NV)	GHCL Inc. USA	GHCL International Inc.	Dan River Inc. USA	Dan River International Limited	Dan River Factory Stones Inc.	The Bbb Company LLC	GHCL Rosebys Limited	Rosebys Operations Limited	Rosebys Holdings Limited	Rosebys (2004) Limited	Rosebys Unlimited	Indrom Chemicals SA
4.20.10	For the financial year ended 31st March 2007	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
4.20.20	For the previous financial years of the subsidiary Company since it became the holding Company's subsidiary.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
5.00	Material Changes between the end of the financial year of the Subsidiary Company and the Company's financial Statement ended 31st March 2007 a.) Fixed Assets b.) Investments c.) Money Left d.) Money borrowed other than those for meeting Current liabilities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

For and on behalf of the Board

Sanjay Dalmia
Chairman
P. Sampath
Managing Director
Dr. B.C. Jain
Director
R. S. Jalan
Managing Director
N. Girdhar
Sr. General Manager - Accounts
Bhuvneshwar Mishra
Company Secretary
Place : New Delhi
Date : June 16, 2007

Details of Subsidiary Companies

S.No.	Name of Subsidiary Company	Colwell & Salmon Communication Inc.	Colwell & Salmon Communication (India) Ltd.	Indian Btlan BV	Indian England NV	SC GHCL Upson SA	Indian Wales NV	GHCL INC. USA	GHCL International Inc	Dan River Inc.	GHCL Rosebys Limited	Rosebys Operations Limited	Rosebys Holdings Limited	Rosebys (2004) Limited	Rosebys Unlimited	Indom Chemicals SA
a	Capital	0.10	7.50	1,193.37	2.68	834.50	3.55	0.23	0.00	0.45	851.00	851.00	0.00	0.00	0.00	0.00
b	Reserves	5.54	(89.03)	3.89	(40.06)	(430.65)	(9.93)	35.23	0.08	(1,655.00)	126.52	(182.44)	-	-	-	-
c	Total Assets	101.89	93.72	3,700.19	1,366.07	2,395.09	2,132.99	1,979.60	1,798.29	4,674.45	2,195.95	4,119.52	0.00	0.00	0.00	0.03
d	Total Liabilities	96.25	185.25	2,503.13	1,423.47	1,987.26	2,136.37	1,944.14	1,798.21	6,329.00	1,218.43	3,430.96	-	-	-	0.02
e	Investments (Except in case of Investment in Subsidiary)	-	-	-	-	5.02	-	-	-	-	-	-	-	-	-	-
f	Turnover/Total Income	530.44	314.34	224.59	5.36	2,298.46	134.05	112.11	130.12	7,037.00	261.92	9,606.36	-	-	-	-
g	Profit before Taxation	4.06	35.85	21.61	(44.22)	(388.89)	(8.75)	36.21	(1.07)	2,508.00	126.52	388.36	-	-	-	-
h	Provision for Taxation	0.70	0.78	-	-	-	-	-	-	-	-	(39.52)	-	-	-	-
i	Profit After Taxation	3.36	35.07	21.61	(44.22)	(388.89)	(8.75)	36.21	(1.07)	2,508.00	126.52	427.88	-	-	-	-
j	Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The financial statements of the Foreign Subsidiaries have been drawn upto 31.03.2007 and converted into Indian Rupees at an appropriate exchange Rate.

Note :-

- 1) The Company directly/indirectly owns 100% in all the subsidiaries other than SC GHCL Upson SA, in which company holds 68.50%
- 2) No separate Books of accounts for the following Dan River Subsidiaries are prepared under US Laws and same are clubbed with Dan River Inc.:
 - Dan River International Ltd.
 - Dan River Factory Stores Inc.
 - The Btbb Company LLC
- 3) The above details have been annexed in terms of letter no. 47/99/2007-CL- III dated 22/3/2007 issued by Government of India, Ministry of Company affairs under section 212 (8) of the Companies Act.
- 4) The company has acquired / formed six subsidiaries in February 2007 and the first financial statements of these subsidiaries shall be drawn upto 31st December 2007 and therefore proportionate financial details effective from the date of acquisition to 31st March, 2007 have been accounted for in the consolidated financial statements.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To The Board Of Directors

GHCL LIMITED

1. We have audited the attached Consolidated Balance Sheet of GHCL LIMITED ("the Company") and its subsidiaries as at 31st March 2007 and the Consolidated Profit and Loss Account annexed thereto and the Consolidated Cash Flow Statement for the period 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 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 statements. We believe that our audit provides a reasonable basis for our opinion.
3. a) The financial statements of a subsidiary, whose financial statements have been audited by one of the joint auditors of the Company, reflect total assets (net) of Rs. 45.90 million as at 31st March 2007 and total revenues of Rs. 315.08 million for the period ended on that date.
 b) We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 3,661.99 million (net) as at 31st March 2007 and total revenues of Rs. 10,337.62 million for the period ended on that date. Other auditors, whose reports have been furnished to us, and in our opinion, so far as it relates to the amounts included in respect of these subsidiaries, are based solely on the reports of the other auditors, who have audited these financial statements.
 c) The Consolidated Financial Statements also include the unaudited financial statements of certain subsidiaries which reflect total assets (net) of Rs. 11,095.80 million as at 31st March 2007 and total revenue of Rs. 1,154.54 million for the period ended on that date as considered in the Consolidated Financial Statements. These financial statements have been certified by management.
 d) In the case of one subsidiary company, whose financial statements reflect total assets (net) of Rs. 1,795.03 million as at 31st March 2007 and total revenue of Rs. 2,169.65 million for the period ended on that date, have been considered in the consolidated financial statements based on audited financial statements for the year ended 31st December 2006 and on the reviewed financial statements by the auditors for the period from 1st January 2007 to 31st March 2007.
 e) In the case of two subsidiary companies, whose financial statements reflect total assets (net) of Rs. 4,672.76 millions as at 31st March 2007 and total revenue of Rs. 6,881.36 million for the period ended on that date, have been considered in the consolidated financial statements based on audited financial statements for the year ended 31st December 2006 and on the statements certified by the management for the period from 1st January 2007 to 31st March 2007.
 f) We draw attention to Note (B)(3) of Schedule 16, Notes on Consolidated Financial Statements, for which the Company has obtained a certificate from an independent certified public accountant, relating to the loss incurred on specific discontinued manufacturing activities in one subsidiary. This report has been furnished to us, and in our opinion, so far as it relates to the amounts included in respect of these discontinued manufacturing operations, is based solely on the certificate of the independent certified public accountant.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and the audited/verified financial statements of its subsidiaries included in the consolidated financial statements.
5. We report that, on the basis of the information and explanations given to us and read together with note 1(i) regarding change in the Basis of Consolidation as stated under Consolidation and note no. 20 (e) relating to FCCB issue expenses in Schedule 16 and on the consideration of the separate audit/verification reports on individual 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 31st March 2007;
 (b) in case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the period ended on that date; and
 (c) in the case Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the period ended on that date.

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

(C. V. THAKKER)
 Partner
 Membership No.6205
 Place : New Delhi
 Date : June 16, 2007

RAHUL GAUTAM DIVAN & ASSOCIATES
 Chartered Accountants

(RAHUL DIVAN)
 Partner
 Membership No.100733

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedules	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	995.88	950.88
Advance against Preferential Convertible Warrants	1A	66.57	29.30
Reserves and Surplus	2	996.83	1,800.58
		2,059.28	2,780.76
		195.42	268.27
Minority Interest			
Loan Funds			
Secured Loans	3	16,248.66	2,949.80
Unsecured Loans	4	4.61	2.90
Unsecured - Foreign Currency Convertible Bonds	4 A	3,500.95	3,642.63
		19,754.22	6,595.33
		881.66	785.61
Deferred Tax Liability (Net)			
Total		22,890.58	10,429.97
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		18,301.81	9,039.30
Less : Depreciation		5,208.01	4,239.05
Net Block	5	13,093.80	4,800.25
Capital Work-in-Progress		803.99	1,594.14
Advances against capital expenditure		429.38	234.89
		14,327.17	6,629.28
		11.04	16.71
Investments	6		
Current Assets, Loans and Advances	7		
Inventories		7,597.87	1,267.84
Sundry Debtors		4,109.19	1,011.21
Cash and Bank Balances		1,075.08	1,263.66
Loans and Advances		2,767.23	2,603.17
		15,549.37	6,145.88
Less : Current Liabilities and Provisions	8		
Current Liabilities		6,806.65	2,195.26
Provisions		317.85	334.83
		7,124.50	2,530.09
Net Current Assets		8,424.87	3,615.79
Miscellaneous Expenditure			
(to the extent not written off or adjusted)			
Deferred Revenue Expenses		127.50	168.19
Total		22,890.58	10,429.97
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 the Board	
For and on behalf of Jayantilal Thakkar & Co. Chartered Accountants	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Managing Director
		N. Giridhar Sr. General Manager - Accounts	Bhuvneshwar Mishra Company Secretary
Place : New Delhi Date : June 16, 2007		Place : New Delhi Date : June 16, 2007	

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2007

	Schedules	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 months) (Rs. in Million)
INCOME			
Sales - Gross		27,893.46	5,471.53
Less: Excise Duty		928.45	26,965.01
Income from Services			729.16
Other Income	9	557.00	55.42
TOTAL INCOME		28,251.17	5,309.17
EXPENDITURE			
Manufacturing Expenses	10	6,835.82	2,534.58
Purchase of Trading Goods		10,459.32	207.62
Payments to and Provisions for Employees	11	3,669.40	523.06
Administrative and Miscellaneous Expenses	12	3,116.03	301.24
Selling and Distribution Expenses	13	1,735.87	397.80
Excise Duty		(3.98)	10.95
(Increase) / Decrease in Stock	14	(213.63)	(93.93)
		25,598.83	3,881.32
Profit Before Financial Expenses and Depreciation		2,652.34	1,427.85
Financial Expenses	15	917.32	88.64
Profit Before Depreciation		1,735.02	1,339.21
Depreciation / Amortisation / Impairment		1,057.34	307.87
Gain / (Loss) Exceptional Item (Net)		777.94	-
Profit Before Tax from Continued Operations		1,455.62	1,031.34
Provision For Taxes			
- Current Tax		249.28	300.59
- Fringe Benefit Tax		15.32	9.10
- Deferred Tax (Net)		345.54	(5.05)
Profit After Tax from Continued Operations		845.48	726.70
Minority Interest Profit / (Loss)		(112.82)	0.50
Profit / (Loss) after Minority Interest		958.30	726.20
Gain / (Loss) from Discontinued Operations (See Note No. 3)		(1,561.64)	-
Balance brought forward from previous year		1,148.73	715.53
Prior period adjustment		4.20	(12.01)
Excess / (Short) provision for Tax for earlier years		(16.80)	1.29
Excess / (Short) provision for Deferred Tax for earlier years		2.65	2.60
Debenture Redemption Reserve written back		91.67	55.34
Investment Allowance Reserve written back		108.60	-
Foreign Currency translation Reserve written back		9.81	-
Amount Available For Appropriation		745.52	1,488.95
APPROPRIATIONS			
Balance of Minority Interest written off		-	7.83
Transfer to General Reserve		148.50	72.18
Proposed Dividend on Equity Shares		268.89	228.21
Tax on Dividend		45.70	32.00
Balance Carried To Balance Sheet		282.43	1,148.73
		745.52	1,488.95
Earnings per Share (Rupees) from continued operations - Basic (15/9 Months)		9.92	7.55
Earnings per Share (Rupees) from continued operations - Diluted (15/9 Months)		9.01	7.42
Earnings per Share (Rupees) from continued operations - Basic (Annualized)		7.94	10.07
Earnings per Share (Rupees) from continued operations - Diluted (Annualized)		7.20	9.89
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 the Board	
For and on behalf of Jayantilal Thakkar & Co. Chartered Accountants	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Managing Director
		N. Giridhar Sr. General Manager - Accounts	Bhuvneshwar Mishra Company Secretary
Place : New Delhi Date : June 16, 2007		Place : New Delhi Date : June 16, 2007	

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2007

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 months) (Rs. in Million)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and Extraordinary items	1,455.62	1,031.34
Adjustment for :		
Depreciation / Amortisation / Impairment	1,057.34	307.87
Foreign Exchange Gain (Net)	(181.05)	(11.24)
(Gain) / Loss on Exceptional Item (Net)	(303.42)	-
Income from Investments	(9.01)	-
Income from Dividend	(0.50)	(0.10)
Investment written off	(1.73)	0.07
Prior Period Adjustments	4.20	(12.01)
(Profit) / Loss on Sales / Discarding on Fixed Assets (Net)	10.37	0.32
Provision for Doubtful Debts / Advances (Net)	7.07	6.58
Minority Interest	112.82	-
(Profit) / Loss on Sale of Investments (Net)	(4.52)	(4.42)
Gain / (Loss) from Discontinued Operations	(1,561.64)	-
Financial Expenses (Net)	917.32	88.64
Operating Profit before Working Capital changes	47.25	375.71
Adjustments for :	1,502.87	1,407.05
Trade & other Receivables	(3,214.13)	(2,083.69)
Inventories	(6,413.31)	(324.24)
Trade payables	4,214.84	943.96
Other Adjustments		
Deferred Revenue Expenditure (to the extent not written off)	(90.20)	(77.07)
Gratuity liability for past year	(40.55)	-
Cash (Used) / generated from Operations	(4,040.48)	(133.99)
Direct taxes paid	(657.33)	(212.81)
Net cash (used)/ generated from Operating Activities	(4,697.81)	(346.80)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(8,364.23)	(3,108.09)
Subsidies Received	41.66	-
Advance for Capital Expenditure	(194.49)	(260.70)
Sale of Fixed Assets	645.51	344.32
(Purchase) / Sale of Investments	11.92	92.72
Interest Received	135.90	54.33
Income from Investment	9.01	-
Dividend Received	0.50	0.10
Net cash used in Investing Activities	(7,714.22)	(2,877.32)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital including Securities Premium	263.66	-
Proceeds from Secured loans	13,659.14	1,168.83
Advance against Preferential Convertible Warrants	66.57	29.30
Repayment of Secured Loans	(360.27)	(346.48)
Proceeds / (Repayment) of Unsecured Loan	1.71	(7.28)
Proceeds from Foreign Currency Convertible Bonds	-	3,642.63
Gain on Exchange	342.78	11.24
Interest and Finance Charges Paid	(1,481.33)	(140.01)
Dividend and tax thereon paid	(268.81)	(209.56)
Net Cash from Financing Activities	12,223.45	4,148.67
Net Increase in Cash and Cash Equivalents (A+B+C)	(188.58)	924.55
Cash and Cash Equivalents at beginning of period	1,263.66	339.11
Cash and Cash Equivalents at end of Period	1,075.08	1,263.66
Note : Cash and Cash Equivalents at end of period	1,075.12	1,243.98
Effect of exchange rate changes Gain / (Loss)	(0.04)	19.68
Cash and Cash Equivalents as restated	1,075.08	1,263.66

As per our report attached
For and on behalf of
Jayantilal Thakkar & Co.
Chartered Accountants
(C. V. Thakker)
Partner

Place : New Delhi
Date : June 16, 2007

For and on behalf of the Board
Sanjay Dalmia
Chairman
Dr. B.C. Jain
Director
N. Giridhar
Sr. General Manager - Accounts

Place : New Delhi
Date : June 16, 2007

P. Sampath
Managing Director

R. S. Jalan
Managing Director

Bhuvneshwar Mishra
Company Secretary

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE 1 : SHARE CAPITAL

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
SHARE CAPITAL		
Authorised		
175,000,000 (P.Y. 100,000,000) Equity Shares of Rs.10/- each	1750.00	1,000.00
Nil (P.Y.25,000,000) Unclassified Shares of Rs.10/- each	-	250.00
	1,750.00	1,250.00
Issued, Subscribed and Paid up		
99,588,411 (P.Y. 95,088,411) Equity Shares of Rs. 10/- each fully paid up	995.88	950.88
	995.88	950.88

Notes :

- a) During the period the Authorised Share Capital of the Company was increased from Rs. 1,250 million to Rs. 1,750 million.
b) 25,000,000 unclassified Shares of Rs. 10/- each were classified into 25,000,000 Equity Shares of Rs. 10/- each.
- a) 21,250,400 Equity Shares of Rs. 10/- each fully paid up were issued to Financial Institution at par on conversion of loan of Rs. 212.50 Million.
b) 1,838,011 Equity Shares of Rs. 10/- each fully paid up were issued pursuant to the Scheme of Amalgamation for consideration other than cash.
c) During the period 4,500,000 Equity Shares of Rs. 10/- each fully paid up were issued to the Promoter Company at a premium of Rs. 55.10 per share upon exercising the option of conversion of 4,500,000 Preferential Convertible Warrants into Equity Shares.

SCHEDULE 1A : ADVANCE AGAINST PREFERENTIAL CONVERTIBLE WARRANTS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
4,500,000 Preferential Convertible Warrants of Rs. 65.10 each	-	29.30
4,500,000 Preferential Convertible Warrants of Rs. 147.94 each	66.57	-
	66.57	29.30

During the period :

- 4,500,000 Preferential Convertible Warrants were converted in tranches of 2,000,000 & 2,500,000 Equity Shares of Rs. 10/- each at a premium of Rs. 55.10 per share on 26.12.2006 & 15.03.2007 respectively. Premium received on conversion amounting to Rs.247.95 million has been transferred to Securities Premium Account.
- The Company has further allotted 4,500,000 fresh Warrants to a Promoter Company on preferential basis convertible into Equity Shares of Rs.10/- each fully paid up, in the ratio of 1:1, on or before 22.04.2008 at Rs.147.94 per warrant (including premium of Rs. 137.94 per share). Against this the Company has received Rs. 14.79 per warrant, which will be forfeited if the option of conversion is not exercised before the specified date.

SCHEDULE 2 : RESERVES AND SURPLUS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
CAPITAL RESERVE		
Cash Subsidy	2.57	2.57
Surplus on re-issue of forfeited Shares	1.55	1.55
	<u>4.12</u>	<u>4.12</u>
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	137.50	192.84
Transfer to Profit and Loss Account	91.67	55.34
	<u>45.83</u>	<u>137.50</u>
CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	100.00	100.00
INVESTMENT ALLOWANCE RESERVE		
As per last Balance Sheet	108.60	108.60
Transfer to Profit and Loss Account	108.60	-
	<u>-</u>	<u>108.60</u>
SECURITIES PREMIUM ACCOUNT		
Premium Received on Conversion of Preferential Convertible Warrants	247.95	-
Less : Balance of FCCB Issue Expenses Written off	130.89	-
	<u>117.06</u>	<u>-</u>
GENERAL RESERVE		
As per last Balance Sheet	291.82	219.64
Less : Increase in Gratuity liability for past periods	40.55	-
Add: Transfer from Profit and Loss Account	148.50	72.18
	<u>399.77</u>	<u>291.82</u>
FOREIGN CURRENCY TRANSLATION RESERVE		
As per last Balance Sheet	9.81	-
Transfer to Profit and Loss Account	9.81	-
	<u>-</u>	<u>9.81</u>
OTHER RESERVES	47.62	-
PROFIT AND LOSS ACCOUNT		
Balance as per account annexed	282.43	1,148.73
Total	<u>996.83</u>	<u>1,800.58</u>

SCHEDULE 3 : SECURED LOANS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
DEBENTURES		
10% Non Convertible Debentures	91.67	183.33
FROM BANKS / FINANCIAL INSTITUTIONS		
Working Capital Loans	4,171.77	697.72
Foreign Currency Loans	6,819.40	352.91
Rupee Term Loans	5,165.82	1,715.84
Total	<u>16,248.66</u>	<u>2,949.80</u>

Notes:

- 1) 10% Non-Convertible Debentures privately placed with Financial Institutions outstanding are to be fully redeemed at par on 6th November 2007 and are secured by registered mortgage in favour of the Trustees on immovable properties of Soda Ash Division situated at Village Sutrapada, Veraval in Gujarat and hypothecation of specified movable assets of Soda Ash Division.
- 2) Foreign Currency Loans from Banks / Institutions have been secured against:-
 - a) Loan aggregating to Rs. 35.23 Million has been secured against first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at (1) Village Sutrapada and Kadwar, Veraval in Gujarat (2) Noida in Uttar Pradesh (3) Ahmedabad properties and hypothecation of specified movable assets of Soda Ash Division both present and future.
 - b) Loan aggregating to Rs. 9.61 Million has been secured by way of exclusive first charge on moveable fixed assets pertaining to the Company's ITES Division both existing and thereafter acquired.
 - c) Loan aggregating to Rs. 103.61 Million has been secured against first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at village Sutrapada, Veraval in Gujarat and hypothecation of specified movable assets of Soda Ash Division both present and future.
 - d) Loans aggregating to Rs. 6,670.95 Million of the foreign subsidiary companies is secured by way of exclusive first charge by way of hypothecation in favour of Respective Banks over moveable fixed assets, both present and future of the foreign subsidiary companies and guaranteed by the holding company.
- 3) Rupee Term Loans from Banks / Institutions have been secured against :-
 - a) Loan aggregating to Rs. 702.20 Million is secured by first charge on pari passu basis by way of equitable mortgage on Factory Land & Building of Textile Division situated at Paravai and Manaparai, Tamil Nadu and hypothecation of specified movable assets both present and future of the Company's Textile Division. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
 - b) Loan aggregating to Rs. 1,811.50 Million is secured by first charge on pari passu basis by way of equitable mortgage on fixed assets of the Textile Division situated at Vapi, Gujarat and hypothecation of movable assets both present and future of the Company's Textile Division at Vapi, Gujarat with other term lender of the said project. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
 - c) Loan aggregating to Rs. 107.10 Million is secured by an exclusive first charge by way of equitable mortgage on immovable properties pertaining to Wind Mill Division - I situated at Irukkandurai Village, Tirunelveli District in the state of Tamil Nadu and hypothecation of all present and future movable assets of Wind Mill Division - I. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
 - d) Loan aggregating to Rs. 149.10 Million is secured by an exclusive first charge on all present and future movable assets of Wind Mill Division - II situated at Chinnaputhur, near Poolavadi in the state of Tamil Nadu. The said loan is availed under Technology Upgradation Fund Scheme for Textile.
 - e) Loan aggregating to Rs. 82.50 Million is secured by an exclusive first charge on all present movable assets of Edible Salt Division situated at Thiruporur and Vedaranyam and Industrial Salt Division.
 - f) Loan aggregating to Rs. 250.00 Million is secured by way of Demand Promissory Note and first pari passu charge on movable fixed assets of Soda Ash Division situated at Village Sutrapada, Veraval in Gujarat.
 - g) Loan aggregating to Rs. 187.50 Million is secured by way of first pari passu charge on movable fixed assets of Soda Ash Division situated at Village Sutrapada, Veraval in Gujarat.
 - h) Loan aggregating to Rs. 1,875.92 Million is secured by way of first pari passu charge on movable fixed assets of Soda Ash Division situated at Village Sutrapada, Veraval in Gujarat.
- 4) a) Working Capital Loans / Bill discounting from Banks / Financial Institutions are secured by way of hypothecation of stock-in-trade and book debts of Soda Ash / Home Textile Division / Edible Salt / Textile Divisions and second charge on fixed assets of Soda Ash Division / Home Textile Division, both present and future.
b) Working Capital Loans of the foreign subsidiary companies are secured by way of exclusive first charge of equitable mortgage on the respective specified immovable properties, assignment of receivables on future revenues and inventories.
- 5) 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

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
Interest free Sales Tax loan	1.45	2.90
Others	3.16	-
Total	<u>4.61</u>	<u>2.90</u>

SCHEDULE 4 A : UNSECURED FOREIGN CURRENCY CONVERTIBLE BONDS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
Foreign Currency Convertible Bonds	3,500.95	3,642.63
Total	3,500.95	3,642.63

- The Company has issued 1% Foreign Currency Convertible Bonds (FCCBs) of a face value of US \$ 10,000 each, aggregating to US \$ 80.50 Million. As per the terms of the issue, the subscribers have an option to convert bonds into Equity Shares at a price which has been fixed as of 21st September 2006 at Rs. 197.271 (US \$ 1 = Rs. 45.838) such conversion option is exercisable between 21st September 2006 and 21st March 2011. The FCCB may be redeemed in whole, but not in part, at the option of the Company at any time on or after 21st September 2008 and prior to 21st March 2011, at an early redemption amount on predetermined terms. Unless previously converted, redeemed or cancelled, the FCCBs will be redeemed in US Dollars on 21st March 2011 at 139.426 % of their principal amount. As on 31st March 2007 none of the FCCBs have been converted into Equity Shares.
- The Company expects that the FCCB Bond holders would opt for the conversion rather than redemption and in that case no premium would be payable and on that basis same has not been provided and is shown as contingent liability. However the premium, if paid would be adjusted against the available Securities Premium Account / charged to Profit and Loss Account at the time of redemption.

SCHEDULE 5 : FIXED ASSETS

(Rs. in Million)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION / IMPAIRMENT				NET BLOCK			
	As at 01.01.2006	During the period			As at 31.03.2007	As at 01.01.2006	During the period			As at 31.03.2007	As at 31.03.2007	As at 31.12.2005
		Assets of Subsidiaries	Additions (Deletions)	Additions on Revaluation			Accumulated Depreciation of Subsidiaries	Additions (Deletions)	Additions on Revaluation			
TANGIBLE ASSETS												
Leasehold Land	60.07	-	-	-	60.07	7.76	-	1.04	-	8.80	51.27	52.31
Freehold Land	351.73	209.71	27.20 (86.46)	-	502.18	-	-	-	-	-	502.18	351.73
Buildings	1,046.40	620.07	1,150.63 (326.01)	17.83	2,508.92	271.46	36.36	91.46 (26.74)	0.61	373.15	2,135.77	774.94
Plant and Machinery	5,911.12	332.02	5,154.47 (314.95)	12.43	11,095.09	3,651.76	35.14	542.84 (60.30)	5.98	4,175.42	6,919.67	2,259.36
Furniture and Fixtures	76.40	928.48	105.59 (17.78)	-	1,092.69	34.80	16.44	156.91 (5.20)	-	202.75	889.94	41.80
Office Equipments	136.37	66.21	40.76 (5.68)	0.02	237.68	77.54	-	13.75 (5.31)	-	85.98	151.70	58.83
Vehicles	34.09	0.26	4.96 (4.61)	-	34.70	13.33	-	3.91 (2.08)	-	15.16	19.54	20.76
Wind Turbine Generators	404.30	-	-	-	404.30	20.82	-	26.68	-	47.50	356.80	383.48
Leased Mines	198.19	-	253.64	-	451.83	19.10	-	39.24	-	58.34	393.49	179.09
INTANGIBLE ASSETS												
Goodwill	636.50	668.31	0.30	-	1,505.11	74.17	-	56.47	-	130.64	1,374.47	562.33
Salt Works Reservoirs and Pans	173.01	-	117.96	-	290.97	60.93	-	39.49	-	100.42	190.55	112.08
Software	11.12	80.56	26.59	-	118.27	7.58	-	2.27	-	9.85	108.42	3.54
Total	9,039.30	3,105.62	6,882.10 (755.49)	30.28	18,301.81	4,239.05	87.94	974.06 (99.63)	6.59	5,208.01	13,093.80	4,800.25
Previous Year	7,479.31	1,231.36	349.00 (20.37)	-	9,039.30	3,606.91	329.03	308.18 (5.07)	-	4,239.05	4,800.25	-

- Buildings include a sum of Rs. 9.14 Million (Previous Year Rs. 9.14 Million) being cost of office premises acquired on ownership basis.
- Pending transfer of lease rights / extension of lease of salt fields at Vedaraniam (Tamilnadu) the advance of Rs. 45.00 Million paid has been apportioned to various assets as per the valuation report. (See note 5 of Schedule 16)
- Leased mines represent expenditure incurred on development of mines.
- Cash subsidies amounting to Rs. 41.66 Million relating to Home Textile Division at Vapi has been reduced from related fixed assets.
- Assets and accumulated depreciation of subsidiaries relates to Dan River and Best Group, USA, Rosebys Group UK, which have become subsidiaries of the company during the period.

SCHEDULE 6 : INVESTMENTS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
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**LONG TERM INVESTMENTS (AT COST)
OTHER THAN TRADE**
Quoted

8,300 Equity Shares of HDFC Bank Limited of Rs. 10/- each fully paid up	0.08	0.08
68,598 Equity Shares of IDBI Limited of Rs. 10/- each fully paid up	4.93	4.93
2,595 Equity Shares of Dena Bank of Rs. 10/- each fully paid up	0.07	0.07
4,500 Equity Shares of Canara Bank of Rs. 10/- each fully paid up	0.16	0.16
	5.24	5.24

Unquoted

Government securities - 7 year National Savings Certificates (Pledged with Government Authorities)	0.78	0.78
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CURRENT INVESTMENTS

Shares of Romanian Bank	0.08	0.08
1% Shares of Romextera Bank Tg Mures	-	0.14
3.987% Shares of Bega Invest SA Timisoara	4.94	10.47
	5.02	10.69
Total	11.04	16.71

As at 31.03.2007

As at 31.12.2005

Quoted
Other

	As at 31.03.2007		As at 31.12.2005	
	Book Value	Market Value	Book Value	Market Value
Quoted	5.24	14.21	5.24	13.70
Other	5.80	-	11.47	-
	11.04	14.21	16.71	13.70

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
CURRENT ASSETS		
Inventories (as taken, valued and certified by the Management)		
At cost or net realisable value which ever is lower		
Raw materials	1,327.88	634.02
Finished goods	5,672.24	297.05
Stock in process	265.86	56.67
Stores and spares	331.89	280.10
Total	7,597.87	1,267.84
Sundry Debtors (Unsecured, considered good unless stated otherwise)		
Outstanding over six months		
Considered good	2,172.37	7.78
Considered doubtful	380.64	69.95
Provision for Doubtful Debts	(380.64)	(69.95)
Total	2,172.37	7.78
Other debts	1,936.82	1,003.43
Total	4,109.19	1,011.21
Cash & Bank Balances		
Cash balance on hand		
	29.93	2.06
Current Account with Banks		
- Scheduled Banks	408.54	166.38
- Non Scheduled Banks	123.36	238.89
Fixed deposit		
- Scheduled Banks	275.79	62.95
- Non Scheduled Banks	-	684.41
In Margin Account	2.69	4.83
Remittances in transit	234.77	104.14
Total	1,075.08	1,263.66
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received - Considered Good	2,324.04	2,511.31
Interest Accrued on Investments	0.58	0.58
Balances with Customs, Port Trust, Central Excise etc.	387.03	90.68
Advance Income Tax / Fringe Benefit Tax paid / Tax Deducted at Source (net of provisions)	54.98	-
Fixed Deposits with Sardar Sarover Narmada Nigam Ltd. (Pledged with the Govt Authorities)	0.60	0.60
Total	2,767.23	2,603.17

SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS

	As at 31.03.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
CURRENT LIABILITIES		
Sundry Creditors for Goods and Expenses	4,086.41	1,118.58
Sundry Creditors for Capital Expenditure	615.35	135.14
Sundry Creditors-Small Scale Industrial Undertakings	3.04	1.60
Advances from Customers	34.28	39.05
Trade Deposits from Dealers	10.88	11.18
* Investor Education & Protection Fund in respect of		
- Unclaimed Dividend	22.42	31.03
- Unclaimed Fixed Deposits	0.68	1.13
- Interest Accrued on Unclaimed Fixed Deposits	0.16	0.30
Other liabilities	2,031.99	853.11
Interest accrued but not due	1.44	4.14
Total	6,806.65	2,195.26
PROVISIONS		
Wealth Tax	3.26	3.05
Provision for Income Tax (net of Advance Tax)	-	68.70
Provision for Fringe Benefit Tax (net of Advance Tax)	-	2.87
Proposed Dividend on Equity Shares	268.89	228.21
Tax on Dividend	45.70	32.00
Total	317.85	334.83

* The figure reflects the position as of 31st March 2007. 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

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Interest on Investment	9.01	-
Dividend Income	0.50	0.10
Interest on Income Tax Refund	0.66	2.28
Gain on Exchange (net)	181.05	11.24
Profit on sale of Investment (net)	4.52	4.42
Claims Received	206.69	-
Sundry Credit Balances Written back (net)	34.83	16.42
Rent Income	19.55	6.37
Miscellaneous Income	100.19	14.59
Total	557.00	55.42

SCHEDULE 10 : MANUFACTURING EXPENSES

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Raw Materials Consumed	3,282.46	1,360.26
Stores and Spares	171.53	104.41
Repairs and Maintenance		
Machinery	110.40	56.81
Building	4.82	1.80
Others	14.11	9.43
	129.33	68.04
Power, Fuel and Water	2,236.66	631.39
Other Manufacturing Expenses	488.65	211.16
Packing Expenses	253.51	98.65
Operating Expenses for Services	273.68	60.67
Total	6,835.82	2,534.58

SCHEDULE 11 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Salaries, Wages and Bonus	3,102.00	438.98
Contribution to PF and other funds	454.99	59.20
Staff Welfare	112.41	24.88
Total	3,669.40	523.06

SCHEDULE 12 : ADMINISTRATIVE AND MISCELLANEOUS EXPENSES

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Travelling & Conveyance	272.45	53.82
Rent and Lease Rent	1,606.68	32.10
Rates and Taxes	467.45	9.41
Insurance	109.37	24.45
Commission to Directors	86.57	37.71
Communication Expenses	101.60	15.34
Legal & Professional Expenses	271.48	55.99
Miscellaneous Expenses	116.25	42.55
Deferred Revenue Expenditure written off	19.08	17.96
Bad Debts / Irrecoverable amounts written off (net)	41.97	2.65
Donation	3.96	2.29
Provision for Doubtful Debts	7.07	6.58
Investment written off	1.73	0.07
Deficit on Sale / Discarding of Fixed Assets (net)	10.37	0.32
Total	3,116.03	301.24

SCHEDULE 13 : SELLING AND DISTRIBUTION EXPENSES

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Cash Discount	88.91	29.93
Freight and Forwarding	1,262.95	207.33
Commission on Sales	262.93	159.44
Rent on Godowns	121.08	1.10
Total	1,735.87	397.80

SCHEDULE 14 : (INCREASE) / DECREASE IN STOCK

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Opening stock		
Finished Goods	297.06	101.33
Stock in Process	56.67	58.48
Stock acquired on acquisition	5,370.74	99.99
(A)	5,724.47	259.80
Closing stock		
Finished Goods	5,672.24	297.06
Stock in Process	265.86	56.67
(B)	5,938.10	353.73
(Increase) / Decrease in Stock	Total (A-B)	
	(213.63)	(93.93)

SCHEDULE 15 : FINANCIAL EXPENSES

	For the Period Ended 31.03.2007 (15 Months) (Rs. in Million)	For the Period Ended 31.12.2005 (9 Months) (Rs. in Million)
Interest - Fixed Loans	662.13	74.16
- Others	619.93	39.98
Other Financial Charges	196.56	37.09
	1,478.62	151.23
Less : Interest and Financial charges capitalised	425.40	8.26
Less : Interest Income others	135.90	54.33
Total	561.30	62.59
	917.32	88.64

SCHEDULE 16 : NOTES TO CONSOLIDATED ACCOUNTS

1 CONSOLIDATION

- a GHCL Limited together with its subsidiaries (Collectively "The Group") is engaged in the business of manufacturing and trading of Inorganic Chemicals, Home Textiles, IT enabled services and Wind Power Generation.
- b The consolidated financial statements of the Group have been combined on a line-by-line basis by adding together book value of like items of assets, liabilities, Income and Expenses in accordance with Accounting Standard (AS-21) on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- c The list of subsidiary companies which are included in the consolidation with the respective country of incorporation and the Group's holding therein are given below:

NAME OF THE COMPANY	COUNTRY OF INCORPORATION	% of Holding either directly or through Subsidiary	
		As on 31-03-2007	As on 31-12-2005
Colwell & Salmon Communications (India) Limited	INDIA	100	100
Colwell & Salmon Communications Inc, USA	USA	100	100
Indian Britain B V Netherlands	The Netherlands	100	100
Indian England N V Netherlands	The Netherlands	100	100
GHCL Inc. USA	USA	100	100
SC GHCL Upsom SA (Formerly known as S C Bega Upsom SA Romania)	Romania	68.5	64.75
Indian Wales N V (Formerly known as Melidor N V Netherlands)	The Netherlands	100	100
Indrom Chemicals SA	Romania	100	NA
GHCL International Inc.	USA	100	NA
Dan River Inc.	USA	100	NA
Dan River International Limited	USA	100	NA
Dan River Factory Stores Inc.	USA	100	NA
The Bibb Company LLC	USA	100	NA
GHCL Rosebys Limited (Formerly known as Bealaw (Man) 17 Limited)	UK	100	NA
Rosebys Operations Limited	UK	100	NA
Rosebys Holdings Limited	UK	100	NA
Rosebys (2004) Limited	UK	100	NA
Rosebys Unlimited	UK	100	NA
Best Textile International Limited	USA	100	NA
Best Real Properties Inc.	USA	100	NA
Maysun Land Limited	USA	49	NA
X-Etra De Mexico, SA, Maxico	USA	100	NA
Crowtex International Incorporated	USA	85.33	NA
Royal Crowntex International Inc.	USA	100	NA

- d In cases where the subsidiaries follow different accounting year, the accounts are prepared upto the reporting date of parent company to facilitate consolidation.

The name of such subsidiaries and the accounting year are given below :

Name of the Subsidiary	Accounting year ended
Indrom Chemicals SA	31.12.2006
GHCL International Inc.	30.12.2006 *
Dan River Inc.	30.12.2006 *
Dan River International Limited	30.12.2006 *
Dan River Factory Stores Inc.	30.12.2006 *
The Bibb Company LLC	30.12.2006 *
GHCL Inc. USA.	30.12.2006 *
SC GHCL Upsom SA (Formerly known as S C Bega Upsom SA Romania)	31.12.2006

* As per local laws the financial year of these companies ends on Saturday closest to December 31st.

- e The accounts of the following subsidiaries acquired during the period and whose financial year ends after more than six months from the reporting date of parent company are drawn on the basis of financial statement certified by the Management:-
- Best Textile International Limited
Best Real properties Inc.
Maysun Land Limited
X-Etra De Mexico, SA, Maxico
Crowtex International Incorporated
Royal Crowntex International Inc.
- f All material inter-company balances and transactions are eliminated on consolidation.
- g The excess of investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the date on which the investments in the subsidiary companies are made, is recognised as "goodwill" being an asset in the consolidated

financial statements. The net asset value, considered for the purpose of goodwill in respect of trenches of investment, is the value as at the date of the first investment for acquiring subsidiary company. Goodwill arising out of consolidation is not amortised.

- h 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 attributable to their equity.
- i Revenue and expenses are translated into Indian Rupee at average rate for the period of the respective financial year of the companies. Fixed Assets, Share Capital and Reserves as on date of acquisition of subsidiary companies 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. Overseas subsidiaries are considered as integral part of the company's business under AS-11 and accordingly the gain/loss on account of exchange difference is recognised in consolidated Profit and Loss Account.

In the previous period the operations of subsidiaries were considered as non-integral. The foreign exchange differences arising out of consolidation were recognized in Foreign Currency Translation Reserve. The impact of this change during the current period is gain of Rs. 235.33 Million recognized in Consolidated Profit & Loss Account. The balance of Foreign Currency Translation Reserve created during previous period of Rs. 9.81 Million has been written back.

- j In the case of subsidiaries incorporated in The Netherlands and having their own subsidiaries, the financial statements have been consolidated on a standalone entity basis, as these companies have not prepared consolidated financial statements, in view of certain exemptions from preparation of consolidated financial statements under the prevailing local legislation.

- k Consolidated Financial Statements have been prepared using uniform accounting policies for all major transactions and other events in similar circumstances except the policies adopted by the subsidiaries based on local laws which are given below :-

- The parent and the subsidiaries write off Intangible Assets over different number of years.
- Parent and subsidiaries provide depreciation at/by different rates on Tangible Assets.
- The parent and the subsidiaries follow their local guidelines for accounting the leases.
- One subsidiary has revalued its Tangible Assets prior to becoming a Group company as per the requirements of its local legislation. The corresponding revaluation reserve effect is eliminated on consolidation.
- Foreign subsidiary companies recognize tax liabilities and assets in accordance with the applicable local legislation.
- The parent and subsidiaries follow different method of reorganization of Capital Subsidy.
- Parent and subsidiary follow different method of valuation of inventory.
- Goodwill is not amortised but tested for impairment in respect of Subsidiaries.

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 and notes On Accounts

A. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

Revenue Recognition

Sales represent value of goods sold and revenue from trade related activities as reduced by quality claims and rebates but includes excise duty and export benefits under DFRC Scheme. Income from services represents revenue from IT-Enabled Services rendered during the period.

Fixed Assets and Depreciation

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

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

Machinery spares which are used only in connection with an item of fixed assets and whose use is not regular in nature are capitalised and written off over the estimated useful life of the relevant assets. The written down value of such spares is charged to the Profit and Loss Account on issue for consumption.

Government Grants

Cash Subsidies relating to specific fixed assets are shown as deduction from the cost of the assets concerned in arriving at its book value.

Impairment of Assets

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

Investments

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

Inventories

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

Foreign Currency Transactions

Transaction denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of contract is recognized as exchange difference and the premium paid on forward contracts is recognized over the life of the contract.

Non-monetary foreign currency items are carried at cost.

Any income or expenses on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss Account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

Derivative Instruments

Gain or loss in respect of Financial Derivatives are accounted in Profit and Loss Account on the date of settlement. In addition where there are contracts for termination or winding up of financial derivatives, they are also given effect in the Profit and Loss Account.

Retirement Benefits

Contribution payable to recognized Provident Fund and Superannuation Scheme which are defined contribution scheme is charged to Profit and Loss Account. Gratuity and Leave Encashment which are defined benefits are accrued based on actuarial valuation as at the Balance Sheet date. The Company has opted for a Group Gratuity Scheme and the contribution is charged to the Profit and Loss Account each year.

Deferred Revenue Expenditure

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

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

Intangible Assets

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

On amalgamation the excess of consideration over the value of net assets acquired is treated as goodwill arising on amalgamation and is written off over a period of five years. On acquisition, the excess of consideration over the value of the net assets acquired is treated as goodwill arising out of consolidation. Goodwill arising out of consolidation is not amortised.

Borrowing costs

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

Leases

Leases entered into before 1st April 2001 are treated as operating leases and lease rental paid are charged to Profit and Loss Account. Leases entered into on or after 1st April, 2001 are accounted in accordance with Accounting Standard-19 Leases issued by the Institute of Chartered Accountants of India.

Taxation

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

Provisions, Contingent Liabilities and Contingent Assets

In accordance with Accounting Standard - 29 Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

B. NOTES

- 1 The accounts of certain subsidiaries which are not required to be audited under domestic law or whose audited accounts are not required to be prepared upto the reporting date of parent company are drawn on the basis of financial statements certified by the Management.

The list of such subsidiaries are given below:-

Indian Britain BV
Indian England NV
Indian Wales NV
Indrom Chemicals SA
GHCL Inc. USA
GHCL International Inc.
Dan River Inc.
Dan River International Limited
Dan River Factory Stores Inc.
The Bibb Company LLC
Best Textile International Ltd.
Best Real Properties Inc.
Crowntex International Inc.
Royal Crowntex International Inc.
X-Etra De Mexico SA
Maysun Land Ltd.

- 2 During the period the Company has acquired certain assets and assumed certain liabilities of H.W. Baker Linen Co. LLC, H.W. Baker U.S. Inc., and Baker Linen Co. of Canada Ltd (collectively referred to as Baker) for a Purchase price of USD 4.98 Million (Rs. 216.56 Million) and the Assets of Best Reality of New Jersey LLC and Best Manufacturing Co.LLC (collectively referred to as Best) for a purchase price of USD 33.9 Million (Rs. 1496.35 Million) through its step down subsidiary Dan River Inc. and Best Textile International Ltd. respectively. The assets and liabilities so acquired have been merged with the respective assets and liabilities of the Subsidiary Company.

- 3 Losses from discontinued operations relate to closing of manufacturing facilities by step-down subsidiary Dan River Inc. USA. As a part of acquisition strategy the company has shifted the business model to offshore outsourcing from Asian countries including own Indian production.

These losses are of non recurring nature.

The Board of directors have announced a plan to dispose off the entire manufacturing operation of the above mentioned subsidiary. Accordingly assets related to such manufacturing operations have been disposed off as at the year end. The company has / is already / actively seeking a buyer for the remaining manufacturing facilities. As on 31.3.2007 the carrying amount of the assets of the said manufacturing operations were Rs. 408.50 Million.

The following statement shows revenue and expenses of continuing and discontinuing operations

Particulars	Continuing Operations	Discontinued Operations	(Rs. in Million)	
			As at 31.3.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
Turnover	6,751.24	3,667.40		10,418.64
Operating Expense	7,321.09	5,003.14		12,324.23
Impairment loss	24.17	-		24.17
Pre-tax Profit / (Loss) from operating activities	(594.02)	(1,335.74)		(1,929.76)
Interest Expenses	434.89	225.90		660.79
Profit / (Loss) before tax	(1,028.91)	(1,561.64)		(2,590.55)
Income tax Expenses	-	-		-
Profit / (Loss) from operating activities after tax	(1,028.91)	(1,561.64)		(2,590.55)
			As at 31.3.2007 (Rs. in Million)	As at 31.12.2005 (Rs. in Million)
4 (a) Estimated value of contracts remaining to be executed on Capital Account and not provided for		740.98		1,318.85
(b) Contingent Liabilities :				
(i) Guarantees issued by banks		44.70		36.43
(ii) Letters of Credit		634.65		549.08
(iii) Bills discounted with banks (since realized)		249.73		39.98
(iv) Claims against the Company not acknowledged as debts				
- Income Tax & Wealth Tax		121.36		27.67
- Sales Tax		12.05		12.05
- Excise matters		2.33		3.55
- Other claims		43.16		51.10
(v) Corporate guarantee & Standby Letters of Credit to Bank on behalf of subsidiaries of the Company		4,441.45		107.48

(vi) Premium on redemption of Foreign Currency Convertible Bonds 1,380.28 -
(The contingent Liabilities in respect of bank guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material Liabilities will arise)

(c) Export Obligation on duty free imports 4,534.35 1,416.94

5 An amount of Rs. 45 Million paid as an advance to DCW Ltd towards purchase of salt fields at Vedaranyam (Tamil Nadu), was secured by Bank Guarantee for equivalent amount, had been apportioned to respective assets during the previous years as per the valuation report in view of the interim injunctions issued by Hon,ble High Court, Madras, in favour of the Company and amortized / depreciated in the books of account. Applications for transfer of lease rights / extension of lease period has been filed with the appropriate authorities but the permission is yet to be granted by the authorities.

The Company has encashed the Bank Guarantee and the funds received on encashment of Bank Guarantee have been kept in a separate Fixed Deposit account with a bank as mentioned in the exparte order issued by the sole arbitrator subject to further order on the application received from DCW Ltd. Arbitration proceedings have been concluded and order is awaited. On receipt of arbitration order adjustment, if any shall be carried out in the books.

6 Provision for taxation includes Rs 0.50 Million (previous year Rs. 0.30 Million) for Wealth Tax.
The tax year for the Company, being the year ending 31st March, the provision for taxation for the period is the aggregate of the provision made for the three months ended 31st March 2006 and the provision based on the figures for the remaining twelve months upto 31st March 2007.

7 Interest Free Sales Tax Loan Rs. 1.45 Million (Previous Year Rs. 1.45 Million) is due within one year.

8 Depreciation / Amortisation / Impairment in Profit & Loss Account includes Rs. 83.28 Million amortisation of Inventories related to one of the subsidiary.

9 Provision for doubtful debts include for Rs. 7.60 Million for balance receivable from Product Direct Limited due to an unfavorable decree issued. The balance shall be written off after appropriate approval from Reserve Bank of India is obtained.

10 Exceptional Items represents gain on restatement of Foreign Currency Convertible Bonds balances and loan to subsidiaries resulting from the FCCB proceeds (Net Gain Rs. 63.76 million) It also includes net of exchange gain on restatement of foreign currency monetary assets impact on translation of foreign currency financial statements into INR, (Rs. 235.33 Million) gain on acquisition valuation (Rs. 666.76 Million) and cost of restructuring operations (Loss Rs. 187.91 Million).

11 In accordance with the requirements of Accounting Standard- 19 Leases issued by the Institute of Chartered Accountants of India, future obligation/ rights as on Balance Sheet Date for lease arrangements amount to :-

	(Rs. in Million)	
	Receivable	Payable
Due within one year	16.89	266.09
Due within the following four years	16.60	1,196.55
Due after five years	-	1,597.47

12 The value of Finished Goods includes excise duty not paid Rs.1.87 Million (previous year Rs. 7.92 Million). The value of Lignite at mines includes royalty of Rs. 0.41 Million (Previous year 0.84 Million) on the closing stock. This has however, no impact on the profit for the year.

13 The Company has adopted the revised Accounting Standard - 15 Employee Benefits as issued by the Institute of Chartered Accountants of India. Pursuant to this, based on actuarial valuation :

(i) the additional opening liability for defined benefit plans towards Gratuity amounting to Rs. 40.55 Millions has been adjusted against balance in General Reserve

(ii) Current year's additional charge of Rs. 2.08 Million for Gratuity is debited to Profit & Loss account

The following table set out the status of the Gratuity Plan as required under AS -15

	(Rs. in Million)
Total Past Service Liability	113.21
Current Fund Size	72.66
Remaining Past Service Liability	40.55

Actual return on plan assets

Assumptions

Interest Rate	8%
Estimated rate of return on plan assets	8%
Estimated future salary growth	7%

14 Segment

The Company and its subsidiaries are primarily engaged in the business of manufacture of Inorganic Chemicals and Home Textiles.

Two subsidiaries are engaged in IT Enabled Services which are categorised as "Others".

Secondary segment reporting is performed on the basis of the geographical location of customers distinguished between India and Rest of the World.

BUSINESS SEGMENT

	(Rs. in Million)							
	Inorganic Chemicals		Home Textiles		Others		Total	
	Jan 06-March 07	April 05-Dec 05	Jan 06-March 07	April 05-Dec 05	Jan 06-March 07	April 05-Dec 05	Jan 06-March 07	April 05-Dec 05
SEGMENT REVENUE								
External Revenue	9,086.61	3,700.09	17,878.40	1,147.46	729.16	406.20	27,694.17	5,253.75
Less : Inter Segment Revenue								
Total Revenue	9,086.61	3,700.09	17,878.40	1,147.46	729.16	406.20	27,694.17	5,253.75
SEGMENT RESULT								
Unallocated Corporate Expenses.							106.51	74.39
Operating Profit	1,761.72	991.95	(693.07)	142.88	75.86	4.12	1,038.00	1,064.56
Interest Expenses							917.32	88.64
Interest Income								
Other Income	190.60	39.00	347.09	13.37	0.56	(2.05)	538.25	50.32
Unallocated Corporate Other Income							18.75	5.10
Total Other Income	190.60	39.00	347.09	13.37	0.56	(2.05)	557.00	55.42
Profit from Ordinary Activities	1,952.32	1,030.95	(345.98)	156.25	76.42	2.07	677.68	1,031.34
Exceptional Items							777.94	
NET PROFIT BEFORE TAXES	1,952.32	1,030.95	(345.98)	156.25	76.42	2.07	1,455.62	1,031.34
OTHER INFORMATION								
Segment Assets	14,996.12	6,131.98	14,665.03	3,303.93	91.23	655.50	29,752.38	10,091.41
Unallocated Corporate Assets							135.20	2,700.45
Total Assets	14,996.12	6,131.98	14,665.03	3,303.93	91.23	655.50	29,887.58	12,791.86
Segment Liabilities	7,219.21	2,443.75	15,693.43	327.17	147.29	122.58	23,059.93	2,893.50
Unallocated Corporate Liabilities							4,895.87	7,285.81
Total Liabilities	7,219.21	2,443.75	15,693.43	327.17	147.29	122.58	27,955.80	10,179.31
Capital Expenditure	4,436.60	896.03	4,666.62	173.06	13.77	7.86	9,116.99	1,076.95
Unallocated Capital Expenditure							870.73	503.41
Total Capital Expenditure	4,436.60	896.03	4,666.62	173.06	13.77	7.86	9,987.72	1,580.36
Depreciation	476.94	237.44	462.34	50.30	27.88	16.11	967.16	303.85
Unallocated Depreciation							6.90	4.02
Total Depreciation	476.94	237.44	462.34	50.30	27.88	16.11	974.06	307.87
Non-Cash Expenses other than Depreciation	3.05	2.56	6.76	7.78	7.64	5.42	17.45	15.76
Unallocated Non Cash Expenses other than Depreciation							1.83	2.20
Total Non Cash Expenses other than Depreciation	3.05	2.56	6.76	7.78	7.64	5.42	19.08	17.96

GEOGRAPHICAL SEGMENT

Particulars	India		Rest of The World		Total	
	Jan 06-March 07	April 05-Dec 05	Jan 06-March 07	April 05-Dec 05	Jan 06-March 07	April 05-Dec 05
	Segment Revenue	8,417.67	3,713.21	19,276.50	1,540.54	27,694.17
Carrying Costs of Segment Assets	15,047.30	4,937.40	14,840.28	1,691.88	29,887.58	6,629.28
Additions to Fixed Assets and Intangible Assets	5,631.32	342.48	4,356.40	1,237.88	9,987.72	1,580.36

15 Related Party Transactions:

Related Party

- a **Having Significant influence**
SCGN Romgaz SA - holding more than 30% in one of the subsidiary
- b **Key Management Personnel:**
P. Sampath, Managing Director - Parent Company
R. S. Jalan, Managing Director - Parent Company
Tej Malhotra, Sr. Executive Director - (Operations) - Parent Company
Ion Bogdan - Whole time Director - Subsidiary Company
Sanjay Purohit - Whole time Director - Subsidiary Company
Mark Dyson - Whole time Director - Subsidiary Company
Sue Tennant - Whole time Director - Subsidiary Company
- c **Relative of Key Management Personnel:**
Vidyavati Malhotra, m/o Tej Malhotra
Sashi Malhotra, w/o Tej Malhotra
Pushpa Sampath w/o P. Sampath

16 Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March, 2007

Sl. No	Type of Transactions	Having Significant Influence	Key Management Personnel	(Rs. in Million) Relative of Key Management Personnel
1	Remuneration		125.93 (34.64)	
2	Leasing and hire purchase transaction		0.13 (0.10)	0.17 (0.09)
3	Purchase	1,223.30 (756.32)		
4	Dividend on Shares			0.01 (0.01)
5	Balances as on 31st March, 2007:			
	- Advances for rental accommodation		0.02 (0.02)	0.02 (0.02)
	- Sundry Creditors	266.14 (402.63)		

Figures in brackets relate to period ended 31st December 2005.

17 Deferred Tax

	As at 01.01.2006	Current Period Charge/(Credit)	(Rs. in Million) As at 31.03.2007
a) Deferred tax liability on account of:			
i) Depreciation	683.13	323.68	1,006.81
ii) Others			
Deferred Revenue Expenditure	113.49	95.55	209.04
TOTAL (A)	796.62	419.23	1,215.85
b) Deferred tax assets on account of:			
i) Employee Benefit	2.63	4.94	7.57
ii) State & Central Taxes & Cess	6.49	0.32	6.81
iii) Provision for Bad Debts	-	3.35	3.35
iv) Overseas subsidiaries	1.89	314.57	316.46
TOTAL (B)	11.01	323.18	334.19
TOTAL (A-B)	785.61	96.05	881.66

Current period charge / (credit) includes Rs. 249.49 Million on account of prior period adjustment including that of subsidiaries.

18 Category-wise quantitative data about derivative instruments that are outstanding as on 31st March 2007:

	No. of Contracts	USD Equivalent (In Million)	INR Equivalent (In Million)
a)			
1 Forward (Dollar Receivables)	4.00	2.00	89.77
2 Coupon Only Swaps Against INR Loans	2.00	46.45	2,020.00
3 Forward (Dollar Payables)	2.00	0.53	24.73
4 Forward (CHF Payables)	1.00	0.86	37.60
b) The Company entered the derivative instruments i.e. options, forward, swaps, etc. to hedge the foreign currency risk of fluctuation and protect interest rate risk and not for speculation purposes.			

c) Foreign currency exposures that are not hedged by a derivative instrument or otherwise as on 31st March 2007

Particulars	Rs. in Million	Rs. in Million
Import Payable		473.13
Foreign Currency Loans & Interest thereon		171.88
19 Managerial Remuneration (Parent Company)	Rs. in Million	Rs. in Million
(a) Whole time Directors		
Salaries	9.15	4.75
Contribution to Provident and Superannuation funds	1.73	0.90
Perquisites	2.56	1.33
Gratuity	0.31	0.16
Commission	59.00	28.80
(b) Other Directors		
Sitting Fees	1.64	0.36
Commission	22.00	8.91
	96.39	45.21

20 Deferred Revenue Expenditure:

Deferred Revenue Expenditure comprises of carrying amount as per Accounting Standard - 26 on Intangible Assets issued by the Institute of Chartered Accountants of India.

a **Voluntary Retirement Scheme Expenses**

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

b **Salt Pans**

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

c **Software**

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

d **Prepayment Premium**

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

e **FCCB Issue Expenses**

Due to the non availability of Securities Premium last year the Company had decided to amortise the FCCB issue expenses over the period of the borrowing. However during the current period the balance expenditure of Rs. 130.89 Million has been adjusted against Securities Premium Account in accordance with the provision of Section 78 of the Companies Act. Due to this change the profit for the period is higher by Rs. 32.16 Million being the proportionate amount which would have been written off during the period.

21 Intangible Assets

Intangible Asset, meeting the definition as per the provisions of Accounting Standard - 26 Intangible Assets issued by the Institute of Chartered Accountants of India, comprises of :

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, ERP System and IT related expenses is being written off over a period of three years.

c **Goodwill**

Goodwill is amortized over a period of five years except goodwill arising out of consolidation.

d **Impairment of Assets**

In pursuance of Accounting Standard - 28 Impairment of Assets issued by the Institute of Chartered Accountants of India, the Company has reviewed its carrying cost of assets with value in use (determined based on future earnings) / net selling price (determined based on valuation). Based on such review, management is of the view that in the current financial year impairment of assets is not considered necessary except in case of one subsidiary where goodwill amounting to Rs. 24.17 Million was tested for impairment and written off.

22 Earnings per Share (EPS)

	For the Period Ended 31.03.2007 (15 Months)	For the Period Ended 31.12.2005 (9 Months)
Basic EPS		
Earnings per Share has been computed as under:		
Profit after tax and Minority interest from Continued operations (Rs. in Million)	958.30	726.20
(Less)/Add : Prior Period Adjustments	(9.95)	(8.12)
	948.35	718.08
The weighted average number of Equity Shares for Basic EPS	A	B
	95,603,796	95,088,411

	For the Priod Ended 31.03.2007 (15 Months)	For the Period Ended 31.12.2005 (9 Months)
Earnings per share (Face value of Rs. 10/- per share) (A) / (B)	9.92	7.55
Earnings per share (Face value of Rs. 10/- per share) - Annualized	7.94	10.07
Diluted EPS		
Profit after tax and Minority interest from Continued operations (Rs. in Million) A	982.20	718.08
Number of Equity Shares for Basic EPS	95,603,796	95,088,411
Add : Adjustment for Warrants convertible into Equity Shares	5,567,033	1,734,545
Add : Adjustment for FCCB convertible into Equity Shares	7,893,109	-
The weighted average number of Equity Shares for Diluted EPS B	109,063,938	96,822,956
Earnings Per Share (Diluted) (A) / (B)	9.01	7.42
Earnings Per Share (Diluted) (Annualized)	7.20	9.89

- 23 No stock options have been granted to the employees in terms of Employees Stock Option Scheme (ESOP) approved by the shareholders.
- 24 Figures pertaining to the Subsidiaries Companies have been reclassified wherever necessary to bring them in line with the parent company's Financial Statements.
- 25 Previous period's figures have been regrouped and reclassified wherever necessary.

Signature to Schedules 1 to 16

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

For and on behalf of the Board

Sanjay Dalmia
Chairman

Dr. B.C. Jain
Director

N. Giridhar
Sr. General Manager - Accounts

P. Sampath
Managing Director

R. S. Jalan
Managing Director

Bhuvneshwar Mishra
Company Secretary

Place : New Delhi
Date : June 16, 2007

Place : New Delhi
Date : June 16, 2007





GHCL Limited

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)

