COMPANY INFORMATION

BOARD OF DIRECTORS

Sanjay Dalmia	Chairman
Anurag Dalmia	
Neelabh Dalmia	
Dr. B C Jain	
Jagdish Capoor	
H H Faruqi	
G A Tadas	Nominee (IDBI)
R W Khanna	Nominee (Exim Bank)
Naresh Chandra	
Mahesh Kheria	(Alt. to Mr. S H Ruparell)
P Sampath	Joint Managing Director
R S Jalan	Joint Managing Director
Tej Malhotra	Sr. Executive Director (Operations)

SECRETARIES

J P Mehrotra
Vice President (Finance) &
Company Secretary

Bhuwneshwar Mishra
Jt. Company Secretary & Compliance Officer

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

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

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. Melidor NV (Indian Wales NV), the Netherlands
6. S C Bega Upsom SA, Romania
7. GHCL Inc, USA

AUDITORS
Jayantilal Thakkar & Co.
Rahul Gautam Divan & Associates

WORKS

SODA ASH
Village - Sutrapada,
Near Veraval,
Distt. Junagarh - 362 256
Gujarat

SALT REFINERIES
a) Ayyakaramulam
Kadinalvayal - 614 707
Distt. Nagapattinam
Tamilnadu
b) Nemeli Road,
Thiruporur - 603 110
Tamilnadu

TEXTILES
a) Samayanallur P O
Madurai -625 402
b) Thaikesar Alai P O
Manaparai - 621 312
c) 15-17, Mohid Tower Daman
Road, ChalaVapi - 396 191,
Valsad District, Gujarat

ITES
C-39, Sector - 58
Noida

ENERGY DIVISION
(a) Muppandal, Irukkandurai Village
Sankaneri Post Radhapuram
Taluk, Tirunelveli District
Tamilnadu
(b) Chinnaputhur village,
Dharapuram Taluk,
Erode District, Tamil Nadu

BANKERS / FINANCIAL INSTITUTIONS
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.
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

NOTICE

NOTICE is hereby given that the 23rd 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, June 19, 2006 at 10.30 AM to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at December 31, 2005, Profit and Loss Account for the year ended on that date together with the Reports' of the Directors' and Auditors' thereon.

2. To declare a dividend for the financial year ended December 31, 2005.

3. To appoint a director in place of Mr. Sanjay Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a director in place of Mr. Anurag Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint a director in place of Mr. Naresh Chandra, who retires by rotation and being eligible, offers himself for re-appointment.

6. 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:

7. Approval for payment of Commission to Non Whole time Directors:

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

"RESOLVED THAT in conformity with the provisions of Section 309 and any other applicable provisions of Companies Act, 1956, and in supercession of the earlier approval given by the members in their Annual General Meeting held on September 21, 2001, approval be and is hereby accorded to the payment of commission for a sum not exceeding 1% per annum of the net profit of the Company calculated under Section 198, 349 and 350 of the Companies Act, 1956 to some or any of the Non Executive Directors of the Company, in such manner as the Board of Directors may determine from time to time and such payment be made in respect of profits of the Company for the whole or proportionately for a part of financial years during a period of five years commencing from April 1, 2006 and expiring with the financial year ending March 31, 2011."

8. Alteration of Capital Clause of Memorandum of Association

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

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

5 "The Authorised Share Capital of the Company is Rs. 125,00,00,000 (Rs. One hundred twenty five crores only) divided into 12,50,00,000 (Twelve crores fifty lacs only) equity shares of Rs. 10 each; with power to increase and/or reduce Capital of the Company and to divide the Share Capital for the time being into several classes and to attach thereto respectively such preferential, guaranteed, qualified or special rights, privileges and conditions as may be determined by or in accordance with the provisions of Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being provided by the Articles of Association of the Company."

9. Employees Stock Options Scheme (ESOS)

To consider, and if thought fit, to pass, with or without modifications, the following resolution, as a **Special Resolution**:

"RESOLVED THAT pursuant to all applicable provisions of the Companies Act, 1956, SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary, GHCL Employees Stock Option Scheme 2006 (ESOS) be and is hereby approved and the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee, including Compensation Committee to which the Board has conferred/ may conferred its powers, including the powers conferred by this resolution) to take all actions that may be necessary to implement the ESOS including the following actions:

1. To offer and grant at any time to such eligible person (s) who are in permanent employment of the Company (including any Director of the Company in whole-time employment) options with each option being exercisable into one equity share of face value of Rs. 10/- (rupees ten only) each fully paid-up, not exceeding in aggregate 5% (five percent) of the paid-up Equity Share Capital of the Company from time to time, on payment of the requisite exercise price to the

Company/ ESOS Trust, under ESOS in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authority;

2. The constitution of Trust, primarily to purchase Equity Shares of the Company from secondary market and transfer them to eligible employee exercising the Options vested in them against payment of predetermined price arrived at as per the pricing formula described in ESOS with an initial contribution of Rs. 10,000/ (rupees ten thousand);

3. Providing necessary additional funds to the Trust to purchase adequate number of Equity Shares of the Company from time to time;

RESOLVED FURTHER THAT the maximum number of options that may be granted to a specific employee under the ESOS shall not exceed such number as can get converted into more than 1% of the Paid Up Equity Share Capital of the Company from time to time;

RESOLVED FURTHER THAT in case of any corporate actions such as right issue, bonus issue, merger, sale of division or such other events, the Board is also authorized to make fair and reasonable adjustments to the number of options offered and the exercise price;

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be transferred and the price of transfer of the shares to the eligible employees under the ESOS, shall automatically stand increased or reduced, as the case may be, in the same proportion which the present face value of Rs.10/- (rupees ten only) per equity share bears to the revised face value of the Equity Shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said employees;

RESOLVED FURTHER THAT the Board be and is hereby authorized to make/ accept such modifications, variations, alterations or revisions in the said ESOS as are necessary or expedient to meet the conditions imposed or stipulations made by any authority before or while granting approval, permission and or sanction if any, in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and other applicable laws/guidelines;

"RESOLVED FURTHER THAT pursuant to Section 198, 268, 310, 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and in partial modification to the earlier resolutions passed by the shareholders in this regard, the consent of the shareholders be and is hereby accorded to the increase in remuneration of Whole time Directors that may occur in terms of ESOS."

10. <u>Increase in the Foreign Institutional Investors (FIIs) investment limit</u>

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as **Special Resolution.**

"RESOLVED that pursuant to the provisions of the relevant laws, consents, permissions and sanctions as may be required from appropriate authorities from time to time, the aggregate limit of investment in equity shares of the Company under the Portfolio Investment Scheme by Foreign Institutional Investors (FIIs) registered with Securities and Exchange Board of India (SEBI), be and is hereby increased to 49 % (forty nine percent) of paid up share capital of the Company, provided however that the equity shareholding of single FII or as a sub account of FII in the Company shall not at any time increase 10% (ten percent) of the paid up equity share capital of the Company or such other limit as may be permitted by law and approved by the Board of Directors of the Company;

RESOLVED FURTHER that the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things and execute all such documents, deeds and writings as may be required for the aforesaid purpose and which may be deemed fit in the interest of the Company."

Registered Office:
GHCL HOUSE
Opp. Punjabi Hall
Navrangpura, Ahmedabad - 380009
Dated : April 21, 2006

By Order of the Board
For **GHCL LIMITED**
Sd/-
Bhuwneshwar Mishra
Jt. Company Secretary &
Compliance Officer

NOTES

(1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. A proxy need not be a Member. Proxies in order to be effective must be deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting.

(2) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, June 12, 2006 to Monday, June 19, 2006 (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 June 12, 2006. 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 Explanatory Statement setting out the material facts concerning Special Business in respect of Item Nos. 7 to 10 of the accompanying Notice as required by Section 173(2) of The Companies Act, 1956, is annexed hereto. The relevant details of directors seeking reappointment under Items No. 3 to 5, as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges are given herein below.

(a) Mr. Sanjay Dalmia (DOB-March 17, 1944) is Chairman of the Company. Mr. Dalmia is an eminent Industrialist and is an Ex member of Rajya Sabha. He is also a Chairman of Project Committee and Remuneration Committee of the Company. Mr. Dalmia is neither a member of more than 10 Committee nor a Chairman of more than 5 Committees. He is a Director on the Board of Colwell and Salmon Communications (India) Limited and Colwell & Salmon Communications Inc, USA.

(b) Mr. Anurag Dalmia (DOB- May 11, 1956) is a Director of the Company. Mr. Dalmia is a Chairman of Share Transfer and Investors/Shareholders Grievance Committee of the Company. Mr. Dalmia is an eminent Industrialist and has represented PHD Chambers of Commerce and Industry and at present he is a member of committee of Confederation of Indian Textile Industry. Mr. Dalmia is neither a member of more than 10 Committee nor a Chairman of more than 5 Committees. He is a Director on the Board of Colwell and Salmon Communications (India) Limited and Colwell & Salmon Communications Inc, USA.

(c) Mr. Naresh Chandra (DOB-February 11, 1935) is a Director of the Company. He is an Industrialist and is on the Board of Hercules Hoists Limited. He is neither a member of more than 10 Committee nor a Chairman of more than 5 Committees.

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

(6) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for deletion or / change in such bank details. Further instruction, if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depositories Participants.

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

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

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

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

(11) Dividend for the financial year ended March 31, 1999, 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 2006 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, 1999 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 31,1999 only those claims, which are received by ISRL on or before August 31, 2006, 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. 7

Subsection (4) of Section 309 of the Companies Act, 1956 provides for the rate of remuneration payable to the Directors who are not in the whole time employment of the Company. Since your Company has whole time Directors, the remuneration (in the form of Commission), payable to Non Whole time Director shall not exceed 1% of the net profit of the Company. Pursuant to Sub-section (5) of Section 309, such net profit shall be computed in the manner refereed to in Section 198 (1) and other applicable provisions of the Companies Act, 1956.

The shareholders in their Annual General Meeting held on September 21, 2001 had approved commission for Non whole time Directors @ 1% of the net profit of the Company. However, Sub-section (7) of Section 309 provided that any Special Resolution according authority for payment of remuneration to Non Whole time Director shall not remain in force for a period of more than five years, but may be renewed, from time to time, by Special Resolution, for further period of not more than five years at a time. It is also a condition that no renewal shall be effected earlier than one year from the date on which it is to come into force. Hence the resolution is placed for approval of members.

Non Executive Directors may be deemed to be concerned or interested in the passing of this resolution.

Item No. 8

Pursuant to provisions of Section 16 and any other applicable provisions of the Companies Act, 1956, a company is authorized to organize and / or alter the Capital clause of its Memorandum of Association, by passing suitable resolution in the shareholders meeting. As the Company had issued Foreign Currency Convertible Bonds (FCCBs) for US $ 80.50 million during the financial year and that bonds are eligible for conversion with effect from September 21, 2006. In order to convert such FCCBs into equity shares of the Company, the Memorandum of Association should have adequate level of authorized capital. Therefore, it is proposed to reorganize the capital clause of Memorandum of Association by converting 2,50,00,000 (two crores and fifty lacs only) unclassified shares of the Company into equity shares of Rs. 10 each.

None of the directors are interested in the resolution.

Item No 9

The Company recognizes the importance of its employees in bringing about the growth of the organization. It strongly feels that the value created by them should be shared with them. As such the Company has drawn up the ESOS to promote the culture of employee-ownership-participation and to attract and retain best available talent in the Company.

In keeping with the aforesaid purpose, a proposal by way of Special Resolution, for grant of Stock Options to eligible employees under the GHCL Employees Stock Option Scheme 2006 (ESOS) has been brought before the shareholders of the Company. The Compensation Committee of the Board ("Compensation Committee") which has been delegated all necessary powers has formulated detailed terms and conditions of ESOS and prepared draft ESOS in conformity with Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 (SEBI Guidelines). The Board of Directors of the Company, at its meeting held on April 21, 2006 considered and approved the said ESOS subject to approval of shareholders of the Company and any other authority (ies) which may be required in this regard.

The information required to be given pursuant to SEBI Guidelines:

1. **Total number of options to be granted.**

   The total number of options to be granted shall not exceed such number as can get converted into more than 5% (five percent) of the Paid Up Equity Share Capital of the Company as on the date of grant of options from time to time. The total number of options that can be granted based on present paid up capital comes to 4754420 shares, which number shall be subject to change depending upon change in paid up capital of the Company from time to time. However the Compensation Committee may or may not utilize the total number of grantable options at one time and may grant them with such time intervals as it may deem fit.

   In case an option expires or becomes un-exercisable without having been exercised in full, the Compensation Committee in its absolute discretion may grant further equivalent number of options in future.

2. **Identification of classes of employees entitled to participate in ESOS:**

   All permanent employees of the Company including Whole-time Directors of the Company (excluding Promoters and non-working Directors) as may be decided to be eligible by the Compensation Committee from time to time would be entitled to participate in the ESOS. However, an employee who is a Promoter or belongs to Promoters' group or a Director who either by himself or through his relatives or through any body corporate directly or indirectly holds more than 10% (ten percent) of the outstanding Equity Shares of the Company shall not be eligible to participate in the ESOS.

3. **Requirements of vesting and period of vesting:**

   Normally, the options granted shall vest so long as the employee continues to be in the employment of the Company. For a valid vesting, an eligible employee is required to be in service on the vesting date and must neither be serving his notice period for termination of service nor be subject to any disciplinary proceedings pending against him on the vesting date. However, Compensation Committee at its sole discretion may decide to vest Option even in an eligible employee whose services are superannuated.

   The Compensation Committee may, in its discretion, lay down certain performance metrics on the achievement of which the options granted may vest. The Compensation Committee may also lay down the detailed terms and conditions relating to such performance-based vesting and the proportion in which options granted under the ESOS may vest (subject to the minimum and maximum vesting period as specified herein).

   Vesting of the options shall take place over a maximum period of 4 (four) years, with a minimum vesting period of 1 (one) year from the date of grant. The exact period over which and the proportion in which the options would vest would be determined by the Compensation Committee. Except in case of privileged leave, if an eligible employee is on leave / absent from work for a continuous period of 60 days or more in any financial year the vesting date may be adjusted for such period of leave/absence by the Compensation Committee on case to case basis.

   In case an employee dies during his employment with the Company, all the options granted to him till such date shall vest in the nominees or legal heirs of such deceased employee.

In case an employee suffers permanent disability or gets incapacitated while in employment, all the options granted as on the date of permanent disability or incapacitation shall vest in him on that date.

It is clarified that no options can be vested in nominee or legal heir of the deceased eligible employee or in the permanent incapacitated eligible employee until the expiry of one year from the date of grant of options to the respective eligible employee and therefore in such events the vesting date shall be the date of death or permanent disability or incapacitation of the eligible employee or the date occurring one year from the date of grant of Option to such eligible employee which ever is latter.

4. **Maximum Period within which the Options shall be vested:**

Vesting of the options shall take place over a maximum period of 4 (four) years, with a minimum vesting period of 1 (one) year from the date of grant.

5. **Exercise Price or pricing formula:**

The price payable by the eligible employee for exercising the options granted to him in pursuance of ESOS shall be 20% (twenty percent) less than the lower of the following:

(i) Average of Weekly High and Low of the closing prices of the related shares quoted on the National Stock Exchange (NSE) during the six months preceding the date of Compensation Committee Meeting in which options are granted;

Or

(ii) The average of the weekly high and low of the closing prices of the related shares quoted on the National Stock Exchange (NSE) during the two weeks preceding the date of Compensation Committee Meeting in which options are granted;

In case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be transferred and the price of transfer of the shares to the eligible employees under the ESOS, shall automatically stand increased or reduced, as the case may be, in the same proportion which the present face value of Rs. 10/- (rupees ten only) per equity share bears to the revised face value of the equity shares of the Company after such consolidation or sub-division, without affecting any other rights or obligations of the said employee.

In case of any corporate action(s), such as rights issue, bonus issue, merger, sale of division or such other event, a fair and reasonable adjustment shall be made to the number of options and exercise price.

6. **Exercise period and the process of exercise:**

The exercise period shall commence from the date of vesting of options. The exercise period shall be decided by the Compensation Committee subject to a maximum of 4 (four) years from the date of vesting of options.

The option shall be exercisable by the employee by a written application to the Company to exercise the option in such manner and on execution of such document, as may be prescribed by the Compensation Committee from time to time. The option shall lapse, if not exercised within the specified exercise period.

7. **Appraisal process for determining the eligibility of the employees to the ESOS:**

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee and may be based on criteria such as seniority of employee, length of service, past performance record, merit of the employee, future potential contribution by the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

8. **Maximum number of options to be issued per employee and in aggregate:**

The maximum number of options that may be granted to any specific employee under the ESOS shall not exceed such number as can get converted into more then 1% (one per cent) of the Paid up Equity Share Capital of the Company at the time of grant of options. The total number of options to be granted shall not exceed such number as can get converted into more than 5% (five percent) of the Paid Up Equity Share Capital of the Company as on the date of grant of options from time to time.

9. **Accounting Policies**:

The Company confirms that it shall conform to the Accounting policies specified in SEBI Guideline

10. **The Method which the Company shall used to value Option its Options whether fair value or intrinsic value**:

Intrinsic Value.

11. **Disclosure in Directors' Report**

In case the Company calculates the employees compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

12. The options granted to the employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

13. The Other terms and conditions will be as per the ESOS and subject to modification / variation by the Board of Directors of the Company from time to time.

14. The copy of the ESOS and Trust deed will be available at the Registered Office of the Company for inspection on all business days starting from the date of this notice till the date of AGM. A copy of the ESOS and Trust Deed can also be obtained from Registered Office and shall also be sent by post on receipt of a written request from any person entitled to the notice before the date of AGM. The Copy of the ESOS and Trust Deed shall also be available at the venue of the Annual General Meeting.

None of the Directors of the Company are in any way concerned or interested in the resolution, except to the extent of the shares that may be offered to them under the ESOS.

Item No. 10

According to Schedule 2 of the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations 2000, an Indian Company is permitted to have a Foreign Institutional Investors (FIIs) Portfolio Investments upto a ceiling of 24% (twenty four percent) of the paid up capital of the Company provided that the limit of 24% (twenty four percent) may be increased upto sectoral cap / statutory ceiling, as laid down under the said regulation, subject to the approval by the Board of Directors of the Company and Special Resolution passed by the General Body of the Company.

The Company has issued Foreign Currency Convertible Bonds (FCCBs) in September 21, 2005 and has an option for conversion into equity shares after September 21, 2006. Keeping in view the conversion members' approval is sought for passing the Special Resolution in order to enable FIIs investment upto a total of 49% of the paid up capital of the Company.

The Board recommends the resolution for your approval. None of the Directors are interested in the proposed resolutions.

Registered Office :
GHCL HOUSE
Opp. Punjabi Hall
Navrangpura, Ahmedabad - 380009
Dated: April 21, 2006

By Order of the Board
For **GHCL LIMITED**
Sd/-
Bhuwneshwar Mishra
Jt. Company Secretary &
Compliance Officer

DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the 23rd Annual Report of the Company together with Audited Accounts of the Company for the year ended (nine months) December 31, 2005.

OPERATIONAL RESULTS

The summary of the financial performance for the year ended (nine months) December 31, 2005 as compared to the previous year (twelve months) is as under which are not comparable in view of the period of performance.

(Rs. in Million)

	Period Ended December 31, 2005 (9 months)	Year Ended March 31, 2005 (12 months)
Net Sales /Income	**4822.86**	5333.27
Gross profit before interest and depreciation	**1395.71**	1127.71
Interest	**78.00**	155.94
Profit before depreciation and preliminary expenses-(cash profit)	**1317.71**	971.77
Depreciation / Preliminary expenses written off	**296.83**	356.70
Profit before Tax	**1020.88**	615.07
Provision for Taxation – Current	**300.59**	89.18
Provision for Taxation – Deferred	**(9.76)**	121.90
Fringe Benefit Tax	**8.74**	-
Profit after Tax	**721.31**	403.99
Balance brought forward from last year	**912.92**	775.44
Arrears of Depreciation/ Deferred revenue expenditure for earlier years/ provision for earlier years not required	**(12.01)**	3.15
Excess/ (short) provision for tax for earlier years	**3.89**	(1.70)
Debenture Redemption Reserve written back	**55.34**	**-**
Amount available for appropriation	**1681.45**	1180.88
Appropriations		
Debenture Redemption Reserve	**-**	10.71
General Reserve	**72.18**	40.40
Proposed Dividend	**228.21**	190.18
Tax on Dividend	**32.00**	26.67
Balance carried to Balance sheet	**1349.06**	912.92

PERFORMANCE

In order to synchronise its financial reporting/accounting year with its global acquisitions, made through its subsidiaries, of soda ash and textiles your Board of Directors decided to close the current financial/accounting year as at December 31, 2005 i.e. for a period of nine months and to that extent the figures with the previous are not comparable. On an annualized basis your company has achieved a growth in Net Sales by 20%, Operating profit by 65% and Net Profit by 138%. The correction in selling prices in soda ash during the period under review together with cost reduction measures specially the introduction of briquette coke (made from coke fines) and use of captive lignite have contributed significantly to the margins of the company. The margins in the textiles business have also seen an improvement owing to production of value added fabric through outsourcing and use of wind energy. During the year the company has raised a sum of US $ 80.5 million through an FCCB offering which has also contributed to the reduction of its interest cost.

Your Board has approved the expansion of its soda ash capacity in first phase from 0.6 million MT to 0.8 million MT and its implementation is on schedule.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.2.40 per Equity Share for the year ended (nine months) December 31, 2005.

FINANCE

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, which will be fixed in September 2006 based on price mechanism plus a premium of 10%. Such conversion option is exercisable between September 2006 and March 2011. The Company had also issued 45,00,000 warrants convertible into equity shares on preferential basis to the promoter of the Company. The warrants holders are entitled to substitute one equity share of Rs. 10/ each at a price of Rs. 65.10 each, in accordance with SEBI (DIP) guidelines, at any time within eighteen month from the date of allotment of warrants i.e. September 17, 2005 against which 10% of the issue price has been received by the Company.

Your Company has contributed a sum of Rs. 923.53 Millions to the Exchequer by way of Central excise, Sales Tax and Direct Tax during the period.

During the year 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. In respect of existing deposits that were due for repayment during the year Rs. 1.13 Millions remained unclaimed, out of which Rs 0.035 Million has been transferred to unclaimed deposits alongwith interest, which is included in Rs 0.45 Million transferred, as stated above.

SUBSIDIARIES

During the period under review Indian Britain B.V., Indian England N.V., Melidor N.V. (Indian Wales N.V.), S.C. Bega Upsom S.A. and GHCL Inc. became subsidiaries of the company.

Colwell & Salmon Communication Inc., which was a subsidiary became a wholly owned subsidiary during the period under review.

Subsequent to the period end Dan River Inc., became subsidiary of your company.

The Statement pursuant to section 212 of the Companies Act, 1956 containing details of the Company's subsidiaries is attached.

Further pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India. Consolidated Financial Statements of the Company and its subsidiaries form part of the Annual Report and Accounts.

The Company has made application to the Central Government seeking exemption from attaching the accounts, etc., of its subsidiary companies with the Balance Sheet of the parent company. If in terms of the approval granted by the

Central Government, the accounts, etc., of the subsidiary companies are not required to be attached with the Balance Sheet of the parent company, these documents will be submitted on request to any shareholder wishing to have a copy, on receipt of such request by the Jt. Company Secretary and Compliance Officer 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.

CONSOLIDATED FINANCIAL STATEMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

CORPORATE GOVERNANCE

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

LISTING/DELISTING OF THE EQUITY SHARES/FCCBs

The equity shares of your Company are listed at The Stock Exchange, Ahmedabad, The Stock Exchange Mumbai, and The National Stock Exchange of India Limited (NSE). The annual listing fees for the year 2005-06 have been paid to all these Stock Exchanges. The application for voluntarily delisting was duly filed with The Calcutta Stock Exchange Ltd. (CSE) and the delisting confirmation is awaited. The Foreign Currency Convertible Bonds (FCCBs) issued by the Company are listed on the Singapore Stock Exchange.

DIRECTORS

Mr. Sanjay Dalmia, Mr. Anurag Dalmia and Mr. Naresh Chandra, Directors retire by rotation and, being eligible, offer themselves for re-appointment. The Board recommends their appointments at the ensuing Annual General Meeting.

Mr. S K Mukherjee, Ex Managing Director and member of the Board passed away on August 3, 2005, your Board paid homage to Mr. S K Mukherjee and appreciated the immense contribution made by him in the growth of the Company in various capacities.

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

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

PARTICULARS OF EMPLOYEES

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

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 2006.

AUDITORS OBSERVATIONS

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

a. in the preparation of the annual accounts for the nine month period ended December 31, 2005 the applicable accounting standards have been followed.

b. appropriate accounting policies have been selected and applied them consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs as at December 31, 2005 and of the profit of the Company for the nine month period ended December 31, 2005;

c. the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. the annual accounts for the nine month period ended December 31, 2005 have been prepared 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, depositors, lenders and distributors for the confidence reposed by them in the Company. The employees of the Company contributed significantly in achieving the results. The Directors take this opportunity of thanking them and hope that they will maintain their commitment to excellence in the years to come.

By Order of the Board of
GHCL Limited

Sd/-

SANJAY DALMIA
Chairman

Date : April 21, 2006
Place : New Delhi

ANNEXURE I TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

a) Energy Conservation Measures Taken

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

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

Schemes planned under this head are:

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

B. POWER & FUEL CONSUMED	**Period ended December 31, 2005 (9 months)**	Year ended March 31, 2005 (12 months)
1. Electricity		
(i) Purchased Units (lacs kwh)	**145.12**	355.21
Total amount (Rs. lacs)	**659.08**	1547.74
Rate per Unit (Rs.)	**4.54**	4.36
(ii) Own Generation		
(a) Through DG		
Units (lacs kwh)	**6.76**	8.32
Units per ltr of Diesel Oil	**2.86**	3.61
Cost per unit (Rs.)	**6.68**	5.18
(b) Through TG		
Units (lacs kwh)	**830.34**	1063.05
Cost per unit (Rs.)	**1.30**	1.23
2. Coal		
Quantity (MT.)	**93329.47**	115332.72
Total cost (Rs. lacs)	**2990.46**	2905.30
Average Rate (Rs/MT)	**3204.20**	2519.06
3. Lignite		
Quantity (MT.)	**154816.58**	180050.89
Total cost (Rs. lacs)	**1323.56**	2091.80
Average Rate (Rs/MT)	**854.92**	1161.78

4. Consumption per Unit of Production

		Electricity (Kwh/MT)		Coal (MT/MT)		Lignite (MT/MT)	
	Production(MT)	Dec. 05	2004-05	Dec. 05	2004-05	Dec. 05	2004-05
Soda Ash	392392	**212.59**	206.97	**0.24**	0.22	**0.39**	0.35
Salt	38532	**37.40**	30.51	**-**	-	**-**	-
Yarn	4319	**3.09**	6.27	**-**	-	**-**	-

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

a) Technology Import
Soda Ash manufacturing technology by Dry Process.

b) Year of Import
January 1984.

c) Has technology been fully absorbed?
Yes, the technology has been fully absorbed.

d) If technology has not been fully absorbed.
Not applicable.

D. FOREIGN EXCHANGE EARNING AND OUTGO

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

REVIEW OF ECONOMY

The Indian economy continued its high growth performance during the year 2004-2005, with GDP increasing by 6.9% over 8.5% in the previous year. The world economy expanded by 5.1%, India along with China played a predominant role. All the economic indicators clearly indicate a broad-based recovery.

- Industrial recovery driven mainly by manufacturing sector firmed up and broadened
- The services sector with a growth of 8% over 9.1% in the previous year remained the main engine for growth
- Real GDP originating in agricultural and allied activities rose by 1.1 per cent
- Exports at about $80 bn exceeded the target while forex reserves were at a record $ 163 bn.
- Stock markets were buoyant with the Indian bourses outperforming many international stock indices.
- With moderate inflation, interest rates continued to remain relatively low.
- The rupee was volatile against the USD during the year although with an appreciation bias.

The year was witness to large-scale volatility in the commodity markets. The price of crude touched new highs creating uncertainties of sustaining the global growth momentum. Rising input costs was a cause for concern for most manufacturing businesses. Despite these developments, industry in India and particularly the manufacturing sector grew by 8.8% from 7.4% in the previous year. The construction industry which is one of the major drivers to an economy has been maintaining a growth rate of about 6% in the last few years. The capital goods segment grew by 12.6%. The most noteworthy growth was witnessed in the case of machinery and equipment at 19.2%. The buoyancy was aided by productivity gains, cost cutting by corporates, trade expansion and financial stability. Commodity sectors like steel and oil and gas attracted large investments. World trade grew by a strong 9% in 2004 on top of an increase of 5% in 2003. The global economic expansion was a synchronized recovery across regions.

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

Overall Business Strategy

GHCL’s strategic objective is to capitalise on the growth opportunities that it believes are available in the global chemicals and textiles industry. In order to achieve the same the company is increasing its domestic capacity and has acquired soda ash capacities overseas and developing a strong front-end marketing set-up in European Union and the US, the hub of Home textiles with the back end at Vapi, Gujarat and outsourcing capabilities in China and Pakistan.

In order to achieve the above the company will leverage its strength relating to product and service innovation along with pursuing strategic acquisitions.

COMPANY PERFORMANCE

Summary

The Company performed well during the year ended (nine months) December 31, 2005. All the businesses of the company namely soda ash, textiles and ITES reported growth in their revenues. The performance of the various business segments and the overall performance of the Company during the above period are detailed in the report.

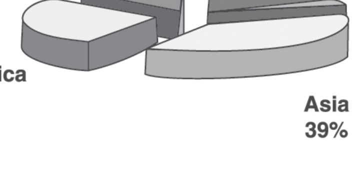
SODA ASH SEGMENT- An overview

A global upswing in soda ash prices since the second half of 2004 reflects a tightening market caused by surge in demand, as well as increased energy and transportation costs. Demand from glass manufacturers in Southeast Asia and China was particularly strong. This was supported in Europe by a fall in value of the US dollar against the Euro, allowing US producers to increase export shipments, and rising caustic soda prices, which prompted consumers to use soda ash instead of caustic soda in their chemical processing streams.

The tight market conditions are expected to remain through to 2006, driven by high growth rates in China, which may continue through to 2010 in connection with construction projects related to the Olympic Games and the World Trade Fair in 2008 and 2010, respectively. World soda ash demand is forecast to reach 48-50Mt in 2010.

The world’s largest soda ash producers are:

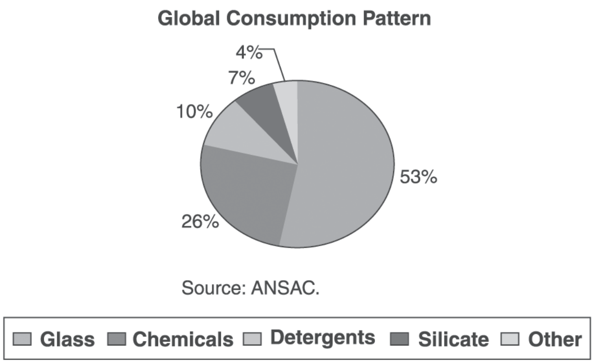
China	30%
USA	26%
Russia	6%
India	5%
Others	33%



(Source : Roskill Report 2005)

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 consumption of soda ash by end use in 2004 was:

- Glass manufacture 53%
- Detergents 10%
- Chemicals 26%
- Other end uses 11%



Source: Company.

World consumption of soda ash in 2004 was an estimated 38Mt having grown by an average of 2.6%pa in recent years but forecast to increase at the higher rate of 3-4%pa through to 2010. These higher rates are being driven by the booming Chinese economy where there is strong demand for flat ***(float)*** glass in construction applications. Demand growth outside China and east Asia is steady at around 2%pa.

In **Asia**, the boom in construction is being led by the flourishing economy in China but similar situations exist throughout the region. Regional soda ash consumption could rise by up to 15% in 2005 in order to feed new float glass furnaces that are due to come on stream in China, Malaysia and Vietnam, as well as at a number of small scale operators throughout the region. Such expansion could lead to a regional shortfall in soda ash supply. Indeed, Chinese soda ash demand in 2004 exceeded national production by nearly 2Mt. Huge demand for float glass also fired the surge in consumption for soda ash in India during 2003 and the first part of 2004.

Glass will remain the main market for soda ash in the future, consuming an estimated 16-17Mt in 2004 and forecast to grow at around 3%pa through to 2010, driven more by flat glass (4%pa) than container glass (2%pa).Growth in flat glass has exceeded GDP in recent years because of high demand rates from the world's construction and automotive industries, especially those in China and other Asian countries. The more mature western markets are also experiencing growth, however, helped by the growing demand for value added products, such as solar reflective glass or enhanced security glass.

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. GHCL has a strong market share in DSA due to its superior product quality and customer relationships. In fiscal 2005 the capacity utilization reached an all time high: 88% of the domestic production capacity. Indian producers currently meet 92% of domestic demand 8% imported mainly from Kenya & Bulgaria. 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.

Outlook for the sector

The outlook for the sector remains strong with the Industries consuming Soda Ash growing at a fast pace. Currently Glass industry growing at 7%, Flat ***(Float)*** glass market is growing 10% -12%, Picture tubes market growing by about 11% and Bulbs & tubes growing at 6%. The detergent industry is also growing at 4.5%.

The Growth in demand of Soda Ash is expected to rise by 7 million tons from 16 million tons in 2004 to 23 million tons in 2010 in the Asian market. Known capacity increase in next 3 years stands at 4 to 5 million tons.

Opportunity and Concerns

The major growth in soda ash is happening in the Asian Market which is growing @ 7% approximately and the company in order to have a share in this growing market is already implementing expansion of its capacity to 0.8 million MT with plans to further increase it to 1.1 million MT in the next 24-30 months. It may be mentioned that the major producing centres in Asia are located in China and India only. However, to have a presence in the European market the company has recently acquired a soda ash unit in Romania through its overseas subsidiaries and shall leverage its domestic advantage to control costs in this unit in Romania, which is likely to be annexed to EU by 2007. The soda ash prices are expected to remain firm for the next 12 to 18 months.

The Industry has an inherent strength as it is more than half a century old and is capable of meeting the full domestic requirement of the country over the next 3 years. Industry being labour intensive also provides large employment potential particularly in the drought prone areas of Gujarat. The product quality and cost of manufacturing is comparable to the best European producers and efficient Chinese units. The industry has responded effectively to the changes in the market place and has demonstrated its ability to withstand the import pressure as also compete in the export markets.

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

As 95% of the capacity is located in Gujarat, the cost of transportation to markets in South and East India, which constitutes 31% of consumption, is high as compared to the ocean freights to South and East India where product is imported from Kenya or Europe.

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

The reduction in import duty from the current level of 12.5% alongwith poor infrastructure – namely road and rail movement for internal transport as well as port facilities for exports could slow the growth of the domestic industry.

The company has been able to maintain a domestic market share through a combination of market development, pro-active Customer Satisfaction initiatives and the speedy response to the needs of the market place. In Soda Ash marketing, logistic cost and customer servicing play a major role and on these areas the company is focused.

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

Establishing A Global Foot Print

The company feels that with 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.

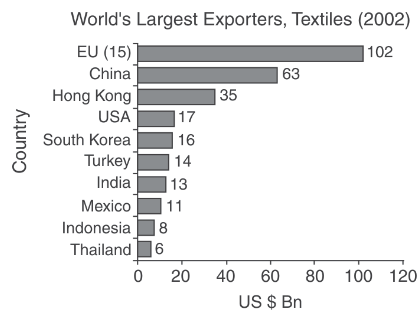
The company through its overseas subsidiary acquired a controlling stake of 68% in Bega Upsom a soda ash manufacturer in Romania having an installed capacity of 3,00,000 MTPA. In addition to acquiring this plant, GHCL and its subsidiary has also entered into an agreement to acquire majority stake in the only other Soda Ash plant in Romania. Upon completion its capacity in Romania will be 7,00,000 MTPA and its global capacity will be 13,00,000 MTPA. As it is advantageously positioned to service the growing European markets 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 Middle east demand and establish strong client relationships. This acquisition of the soda ash business in Romania would provide the company, the much-desired exposure of the world markets to replicate its Indian success.

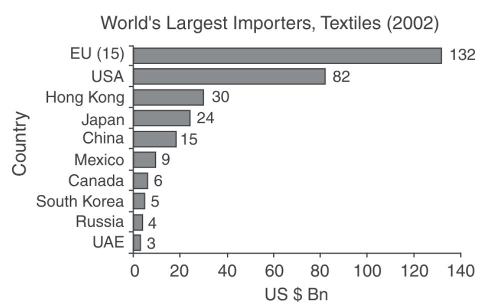
The company is already implementing its plans to increase its soda ash capacity domestically from 600,000 MTPA to 1,100,000 MTPA (single location) in two phases over a period of 24-30 months. Upon completion of the expansion and the acquisitions in Romania the company's global capacity would be 1,800,000 MTPA.

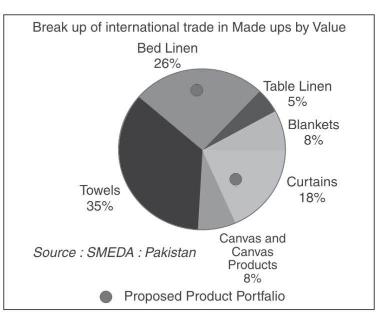
TEXTILES

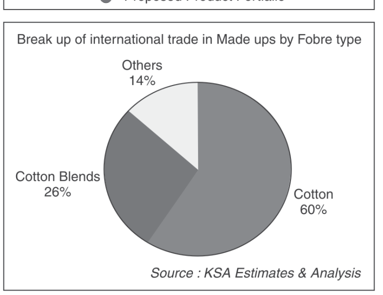
The dismantling of quotas has freed the entire global textile trade. This has led to aggressive realignment of production and outsourcing facilities. Large global manufacturers in USA and Europe are becoming sick or closing down due to higher cost. This scenario will benefit countries having large scale of operations, raw material base and cost competitiveness. India and China are going to emerge as sure winners in this situation.

The Current size of global home textile industry is US $ 70 bn. USA and EU together account for more than 60%. As per Mckinsey estimates, growth in home textiles is to be the highest amongst all textile segments. International trade in home textiles to grow from current US $ 8.6 bn TO US $ 23 bn IN 2010 –CAGR –22%.









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

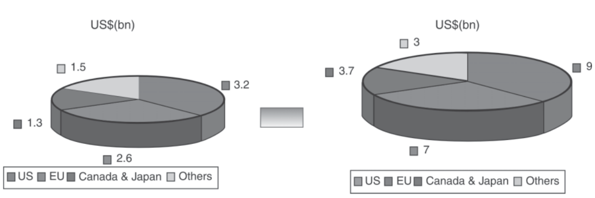
India's textile industry is highly cost competitive and its strength lies in being Cotton rich country with abundance of raw material coupled with abundance of low-cost skilled labour. India has also developed Product design and development capabilities and has presence in all segments ranging from fiber to garment. India now also has the experience of working with global brands. Indian Textile Exports is currently $14 billion and likely to grow to $ 50 billion by 2010. Indian Home Textile trade is currently $2 billion and likely to grow to $ 8billion by 2010.

Favourable Government policies, availability of low finance cost under Technology Upgradation Fund (TUF) comparable to any country in the world, capital subsidy, zero duty CENVAT chain together with textile and apparel parks provides India the edge in textiles. Major retailers and brands are setting up or increasing presence in India due to its inherent strengths and cost competitiveness.

Outlook for the Sector

India's textile exports are likely to surge from US $ 14bnto US $ 50bnby 2010 –CAGR20% (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 TEXTILES - EMERGING OPPORTUNITY



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.

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 of replace the trend in the markets, it could have a significant impact in the company.

As our 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.

Establishing A Global Foot Print

The company's Home Textile Vision is to develop a fully integrated Home Textile business of Global Scale alongwith a marketing and distribution infrastructure of size and scale comparable in the world.

To complete its vision and create a strong market access to distribution and marketing capabilities, the company through its overseas subsidiary, has recently acquired Dan River Inc., the 3rd. largest home textile player along with its own brands in the United States. Dan River has over 50 years of client relationships in the Home Textile space across all market segments from Retail to Hotel & Hospitality to Specialty Stores & institutional segment. However, its strongest segment is the Juvenile segment. Dan River's main clients include, Bed Bath & Beyond, Bloomingdale, JC Penny, Anna's linen and Wal-Mart. The company through this acquisition has acquired an excellent Brand Equity in the US market place along with a highly automated warehousing and distribution infrastructure spread across the US supplemented by in-house designing skills.

Dan River is in the process of strongly shifting supply chains to India through our Vapi Unit, Pakistan and China. The company's strong turnaround practices are aiding the company to merge all its geographic locations to converge into a strong market player. The company expects to see a turn around in Dan River operations within this coming year.

The company is focussing on developing a Global Presence in this sector within US and Europe, which account of 60% of Home Textile trade and would have the capability of sourcing up to 90% of its requirements worldwide. Providing such customer service consistently becomes the key differentiator between our Home Textiles operations and others in this industry.

IT Enabled Services

The ITES 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), has shown a sustainable growth during the current period. The Customer Demographic of the ITES business spans across Fortune 100 –500 clients and also to a large extent from SME sectors of the US, UK and Australian markets. Predominantly, clients of the business apart from concentrating in their own local markets are in themselves global players in their own domains.

Financial/Operational Performance

The comparative financials are summarized below:

(Rs in Millions)

Particulars	31 December 2005 (9 months)	31 March 2005 (12 months)	Annualised growth
Net Sales/Income	4822.86	5333.27	20%
Operating Profit (PBDIT)	1395.71	1127.71	65%
Interest	78.00	155.94	
Depreciation	296.83	356.70	
Profit Before Tax	1020.88	615.07	121%
Tax	299.57	211.08	
Net Profit	721.31	403.99	138%

The correction in selling prices in soda ash during the period under review together with cost reduction measures specially the introduction of briquette coke (made from coke fines) and use of captive lignite have contributed significantly to the margins of the company. The margins in the textiles business have also seen an improvement owing to production of value added fabric through outsourcing and use of wind energy. During the year the company has raised a sum of US $ 80.5 million through an FCCB offering which has also contributed to the reduction of its interest cost.

Internal Control Systems and their Adequacy

The Company has designed proper and adequate internal control systems to ensure that its assets are safeguarded and protected against unauthorized use or disposition and that the transactions are authorised, recorded and reported correctly. Supplementing the internal control is an extensive programme of internal audits, review by management based on guidelines and procedures. The Commercial functions of Marketing, Distribution and Finance, within the core business of Soda Ash Division, are automated through Baan ERP. The Area Sales Offices are interfaced to the ERP system through a Web-enable application alongwith the HR activity through a Web-enabled HRMS package. All the above are ensuring that the financial and other records are reliable for preparing financial statements and maintaining accountability of assets. The Company's assets are insured by means of an All Risk Policy.

Human Resource Development

As on December 31, 2005, the Company had 1735 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 two years and has been widely received 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 and important part of the senior executives' key result areas in the organisation.

GHCL has constantly been rationalising / restructuring its manpower and up-grading its quality. It is the endeavour of the organisation to develop an effective team where productivity is high and accordingly, the company continuously organises employee development programmes covering the entire knowledge-value-skill spectrum. During the year 2005, the employees benefited from about 125 training programmes, which covered various issues in management, technology, safety, health and environment.

We continue to maintain the highest standards in safety and health at the work place.

Social Responsibility and Community Development Programmes

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

The company continues to participate in the 'Save the Whale Shark' campaign organised by the Wildlife Trust of India. The campaign has created a strong awareness along the coastal regions of Gujarat on the necessity for the conservation of the endangered whale shark.

During the year the Company organised various initiatives to support primary education among the poor people and more particularly in the female child in and around the Coastal areas of the Saurashtra near the Salt Works. The Company organised various health & hygiene awareness programmes in the Salt Works areas amongst the Agarias and their families.

The Company has undertaken initiative to promote tourism in the coastal areas of Saurashtra and as a part of that the company is erecting towers in the coastal areas for bird watching.

CORPORATE GOVERNANCE FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2005

(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 December 31, 2005 is given herein below:

COMPOSITION OF BOARD OF DIRECTORS AS ON DECEMBER 31, 2005

Category	Name of Directors	No. of Directors	% of total number of Directors
Promoter - Non Executive Director	Mr. Sanjay Dalmia	3	23.07%
	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	23.07%
	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 – Joint Managing Director	3	23.07%
	Mr. R S Jalan – Joint 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 Committee, Share Transfer & Grievance Handling 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 regularly 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 nine month period ended December 31, 2005, six Board Meetings were held on April 20, 2005, June 23, 2005, July 20, 2005, September 01, 2005, October 15, 2005 and November 19, 2005. The gap between any two Meetings has been less than three month, ensuring compliance with the requirement of Clause 49 of the Listing Agreement and Companies Act 1956.

The attendance of Directors at the Board Meeting held during the nine month period ended December 31, 2005 are given herein below:

		DATE OF BOARD MEETING						
SL. NO.	NAME	APRIL 20, 2005	JUNE 23, 2005	JULY 20, 2005	SEPT. 01, 2005	OCT 15, 2005	NOV 19, 2005	AGM ATTENDANCE
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	NA	NA	Yes	Yes	Yes	Yes	Yes
4	Dr. B C Jain	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5	Mr Jagdish Capoor	NA	NA	No	Yes	Yes	Yes	Yes
6	Mr H H Faruqi	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7	Mr G A Tadas – Nominee IDBI	NA	NA	Yes	No	Yes	Yes	No
8	Mr B N Makhija– Nominee IDBI	No	NA	NA	NA	NA	NA	NA
9	Mr R W Khanna – Nominee EXIM Bank	NA	NA	Yes	Yes	Yes	No	Yes
10	Mr Naresh Chandra	Yes	No	No	Yes	Yes	Yes	Yes
11	Mr Mahesh Kheria (Alt. to Mr S H Ruparell)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
12	Mr D Rajagopalan – Nominee GIIC	No	No	NA	NA	NA	NA	NA
13	Mr P K Pujari – Nominee GIIC	Yes	No	NA	NA	NA	NA	NA
14	Mr G C Murmu – Nominee GIIC	No	No	NA	NA	NA	NA	NA
15	Mr P Sampath	Yes	Yes	Yes	Yes	Yes	Yes	Yes
16	Mr R S Jalan	Yes	Yes	Yes	Yes	Yes	Yes	Yes
17	Mr Tej Malhotra	Yes	Yes	Yes	No	Yes	Yes	No
18	Mr N S Ramachandran[3]	Yes	NA	NA	NA	NA	NA	NA
19	Mr S K Mukherjee[4]	Yes	Yes	No	NA	NA	NA	NA

Note : 1. The word "NA" denotes that person was not a member of the Board of the Company at the date of the Board Meeting.

2. Mr. Sanjay Dalmia, Mr. Anurag Dalmia and Mr. Naresh Chandra 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.

3. Mr. N S Ramachandran retired on May 4, 2005

4. Mr. S K Mukherjee passed away on August 03, 2005

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 December 31, 2005 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 Companis	No. of Committee positions held as Member in other Public Companes
1	Mr. Sanjay Dalmia	1	-	-
2	Mr. Anurag Dalmia	1	-	-
3	Mr. Neelabh Dalmia	-	-	-
4	Dr. B C Jain	-	-	-
5	Mr. Jagdish Capoor	5	3	1
6	Mr. H H Faruqi	-	-	-
7	Mr. G A Tadas	-	-	-
8	Mr. R W Khanna	2	-	-
9	Mr. S H Ruparell	-	-	-
	Mr. Mahesh Kheria (Alt. to Mr. S H Ruparell)	-	-	-
10	Mr. Naresh Chandra	1	-	-
11	Mr. P Sampath	1	-	
12	Mr. R S Jalan	1	-	2
13	Mr. Tej Malhotra	-	-	-

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

During the nine month period ended December 31, 2005, 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, in its meeting held on 20th July 2005 re-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 include the following:

a. 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.

b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on;
   - 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, external and internal auditors, the 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 external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.

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

   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 nine month period ended December 31, 2005, the Audit Committee of the Board met five 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. H H Faruqi	Mr.P K Pujari	Mr. Jagdish Capoor	Mr. G A Tadas
Category	Independent Director (Expertise in Finance & Accounting)	Independent Director (Expertise in Finance)	Independent Director - Nominee GIIC Ltd. (Expertise in Finance)	Independent Director - (Expertise in Finance)	Nominee Director - IDBI Ltd (Expertise in Finance)
Date of the Meeting					
May 31, 05	Yes	Yes	Yes	NA	NA
June 22, 05	Yes	Yes	No	NA	NA
July 19, 05	Yes	Yes	NA	NA	NA
Oct. 15, 05	Yes	Yes	NA	Yes	Yes
Whether attended Last AGM (Yes/ No)	Yes	Yes	NA	Yes	No

Note: Jt. Managing Directors, Head of Accounts & Finance, Statutory Auditors, and Cost Auditors were invitees to the Audit Committee Meetings. Secretary of the Company is the Secretary of the Committee.

The Company has complied with the requirements of Clause 49 II (A) as regards composition of the Audit Committee. Dr. B C Jain, Chairman of the Audit Committee is an expert in Finance and Accounting and he was present in the 22nd Annual General Meeting held on September 2, 2005 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 nine month period ended December 31, 2005, the Remuneration Committee had met on June 22, 2005.

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

COMPOSITION AND ATTENDANCE OF MEMBERS AT THE REMUNERATION COMMITTEE MEETING HELD DURING THE YEAR 2005

	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 & Accounting)	Non Executive - Independent Director (Expertise in Finance)
Date of the Meeting			
June 22, 2005	Yes	Yes	Yes
Whether attended Last AGM (Yes/ No)	Yes	Yes	Yes

Remuneration Policy:

Payment of remuneration to the Managing / Whole Time Director is governed by the respective Agreements executed between them and the Company. These agreements were approved by the Board and the Shareholders. Their Remuneration structure comprises salary / commission linked to profits, perquisites and allowances, contribution to provident fund and Superannuation.

The Non - Executive Directors do not draw any remuneration from the Company other than the sitting fee and such commission as may be determined by the Board from time to time.

Details of remuneration, commission and sitting fee paid/ payable to the Directors of the Company for the nine month period ended December 31, 2005 are given below:

Non-Wholetime Directors (in Rupees)

Name	Sitting Fees	Commission
Mr. Sanjay Dalmia	45000	8,75,000
Mr. Anurag Dalmia	30000	8,75,000
Mr. Neelabh Dalmia	25000	5,25,000
Dr. B C Jain	65000	8,75,000
Mr. Jagdish Capoor	20000	5,25,000
Mr. H H Faruqi	65000	8,75,000
Mr. G A Tadas & Mr. B N Makhija - Nominee IDBI**	25000	8,75,000
Mr. R W Khanna– Nominee EXIM Bank**	15000	5,56,818
Mr. Naresh Chandra	20000	8,75,000
Mr. Mahesh Kheria (Alternate to Mr S H Ruparell)	30000	8,75,000
Mr. D Rajagopalan, Mr. P K Pujari and Mr. G C Murmu - Nominee GIIC**	10,000	7,82,727
Mr. S K Mukherjee*	10000	3,94,545
TOTAL	**360000**	89,09,090

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.

*Mr S K Mukherjee passed away on August 03, 2005.

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

Whole Time Directors (in Rupees)

Name	Salary and other perquisites[d]	Commission
Mr P Sampath	25,96,587	1,12,00,000
Mr R S Jalan	25,96,587	1,12,00,000
Mr Tej Malhotra	16,43,258	63,00,000
Mr N S Ramachandran[c]	2,63,698	1,00,000
Total	71,00,130	2,88,00,000

(a) The agreement with the Whole Time Directors is for a period of five years. Either party to the agreement is entitled to terminate the agreement by giving six calendar month prior notice in writing to the other party.

(b) Presently the Company does not have a scheme of Stock Options either to Whole Time Directors or employees of the Company.

(c) Mr. N S Ramachandran retired on May 04, 2005.

(d) Includes Company's contribution to Provident Fund and Superannuation Fund.

(iii) Share Transfer and Grievance Handling Committee:

The Board, in its meeting of July 20, 2005, re-constituted the Share Transfer and Grievance Handling 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 fortnight to expedite all matters relating to Shareholders / Investors Grievances received during the previous fortnight. During the nine month period ended December 31, 2005, seventeen Meetings of the Committee were held.

The composition of Committee as on December 31, 2005 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 21 shareholders complaints from Stock Exchanges and SEBI that inter–alia include non-receipt of dividend, share transfer (including demat etc.) and annual report. The Complaints were duly attended to and the Company has furnished necessary documents / information to the shareholders.

Status of total complaints received during the nine month period ended December 31, 2005:

S. No.	Type of Complaints	No. of Complaints received	No. of Complaints resolved	No. of Complaints pending
1	Non-receipt of dividend	319	319	0
2	Share transfer including D mat request	235	235	0
3	Non receipt of Annual Report	52	52	0

The Share Transfer and Grievance Handling 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. Bhuwneshwar Mishra, Jt. Company Secretary of the Company was present at all Meeting of the Committee as the Secretary of the Committee.

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

(iv) Banking and Operations Committee

The Board, in its meeting of July 20, 2005, re-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 December 31, 2005 is as under:

Sl. No	Name	Status
1	Mr. P Sampath – Joint Managing Director	Member
2	Mr. R S Jalan – Joint 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
2004-2005	02.09. 2005	10.30 AM	The Institutions of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad–380 006
2003-2004	24-09-2004	10.30 AM	The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road Ahmedabad-380 006
2002-2003	26-09-2003	11.00 AM	The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road Ahmedabad-380 006

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

Financial Year	Date	Time	Venue
2000-2001	08-12-2000	11.00 AM	Gajar Hall, Nariman Bhawan, Law College Road, Ahmedabad
1999 - 2000	03-12-1999	11.00 AM	Gajar Hall, Nariman Bhawan, Law College Road, Ahmedabad

(b) Special Resolutions:

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

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

Year 2002-03

- Appointment of Statutory Auditors
- Delisting of shares.
- Change of Name of the Company

(c) No Special Resolution was passed in year 2004-05 through postal ballot and hence the provisions relating to postal ballot were not applicable.

(d) All Special Resolutions moved at the above AGMs were unanimously passed by a show of hands by the shareholders present at the meeting and no resolutions were put to vote by postal ballot.

5. Disclosures:

Disclosure on materially significant related party transactions

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

Disclosure of accounting treatment in preparation of financial statements.

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

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.ghcl.co.in

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 /HALFYEARLY RESULTS AND RELATED MATTERS					
Sl. No.	**Particulars**		**Quarter - I**	**Quarter - II**	**Nine month ended December 31, 2005**
1	English Newspapers in which quarterly results were published	Business Standard The Hindu Business Line	July 21, 2005 -	October 17, 2005 October 17, 2005	January 20, 2006 -
2	Vernacular Newspapers in which quarterly results were published	Jai Hind (Gujarati) Jansatta (Gujarat)	July 21, 2005 -	October 17, 2005 -	- January 20, 2006
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**
	Name of Stock Exchange (s)	**Website Address (es)**	**Date of Filing of Results**		
	National Stock Exchange of India Limited (NSE)	www.nseindia.com	July 20, 2005	October 15, 2005	January 19, 2006
	Stock Exchange, Mumbai (BSE)	www.bseindia.com	July 20, 2005	October 15, 2005	January 19, 2006

During the nine month period ended December 31, 2005, the Company has made the following presentations to Analysists and the same has been communicated to the Stock Exchanges.

- December 07, 2005 – Acquisition of Soda Ash business in Romania
- December 26, 2005 – Signing of definitive agreement for acquisition of business in United States of America.

The press release given to media are also posted on the website of the company www.ghclindia.com

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, June 19, 2006	10.30 AM	The Instititution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad - 380 006
2	Financial Calendar			
	Financial Reporting for - Quarter - I (ending March 31, 2006)		3rd / 4th week of April 2006	
	Financial Reporting for - Quarter - II (ending June 30, 2006)		3rd / 4th week of July 2006	
	Financial Reporting for - Quarter - III (ending September 30, 2006)		3rd / 4th week of October 2006	
	Financial Reporting for - Quarter - IV (ending December 31, 2006)		3rd / 4th week of January 2007	
3	Date of Book Closure	Monday June 12, 2006 to Monday June 19, 2006 (both days inclusive)		
4	Dividend Payment	Final Dividend @24% (i.e. Rs. 2.40 per share) will be paid on or after Friday, June 23, 2006, 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 December 31, 2005		
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 55555454, Fax: 022 55555353		
9	**Outstanding GDRs/ADRs/Warrants or any convertible instruments:** 1. 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, which will be fixed in September 2006 based on price mechanism plus a premium of 10%. Such conversion option is exercisable between September 2006 and March 2011. 2. The Company had issued 45,00,000 warrants convertible into equity shares on preferential basis to the promoters of the Company. The warrants holders are entitled to substitute one equity share of Rs. 10/ each at a price of Rs. 65.10 each, in accordance with SEBI (DIP) guidelines, at any time within eighteen month from the date of allotment of warrants i.e. September 17, 2005 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 fortnightly 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. 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 55555454, Fax: 022 55555353***			
	For General Correspondance: **GHCL Limited, "GHCL House" Opp. Punjabi Hall, Near Navrangpura, Ahmedabad - 380 009. Phone : 079 -26427818/26442677, 079-30918905, Fax: 079-26423623**			
11	**Dematerialization of Shares and Liquidity:** 92.88% of the outstanding shares have been dematerialized as on December 31, 2005. The trading in the Company's shares is permitted only in dematerialized form with effect from October 28, 2000 as per notification issued by SEBI.			
12	As required under Clause 49 (IV) (G) of Listing Agreement, particulars of Directors seeking appointment/ re appointment are given in the Notice to the ensuing Annual General Meeting.			

MONTHWISE STOCK MARKET DATA (BSE & NSE) RELATING TO EQUITY SHARES OF THE COMPANY FOR THE PERIOD OF NINE MONTH ENDED DECEMBER 31, 2005

Months of the 2005	BSE MUMBAI			NSE MUMBAI		
	Share Price (Rs.)		Traded Quantity	Share Price (Rs.)		Traded Quantity
	High	Low		High	Low	
April	51.30	42.60	9859927	51.30	42.50	23225431
May	51.15	43.50	8010669	59.00	43.50	18349969
June	59.75	43.50	39654789	59.60	42.75	155919291
July	72.25	57.60	18550218	73.25	57.65	43144084
August	114.90	60.65	32616828	114.40	60.00	112164082
September	127.30	89.00	19125266	127.30	87.00	56694361
October	108.00	78.60	6583346	107.50	78.50	20237121
November	109.35	85.60	7005308	109.30	85.55	21579234
December	121.75	105.50	8409165	121.00	105.80	28129079

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 1997-98 has been transferred to the Investors Education and Protection Fund established by the Central Government (IEPF) pursuant to Section 205 C of the Companies Act, 1956 and no claim shall lie with the Company in respect of the unclaimed dividend transferred to IEPF for the financial year 1997-98.

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
1998-99	08-09-1999	October 2006
1999-00*	20-09-2000	May 2007
2000-01	21-09-2001	September 2008
2001-02	24-09-2002	September 2009
2002-03	26-09-2003	September 2010
2003-04	24-09-2004	September 2011
2004-05	02-09-2005	September 2012

*Interim dividend

DISTRIBUTION OF SHAREHOLDING AS ON 31ST DECEMBER 2005

No. of Shares held of Rs. 10 each between From	To	No. of shareholders	% of total share holders	No. of shares	% of total shares
1	2500	47160	73.28%	5483722	5.77%
2501	5000	10110	15.71%	4119801	4.33%
5001	10000	4020	6.25%	3484922	3.66%
10001	20000	1553	2.41%	2515718	2.65%
20001	30000	482	0.75%	1246408	1.31%
30001	40000	201	0.31%	744135	0.78%
40001	50000	226	0.35%	1103808	1.16%
50001	100000	270	0.42%	2056252	2.16%
100001	Above	337	0.52%	74333645	78.17%
		64359	**100.00%**	**95088411**	**100.00%**

SHAREHOLDING PATTERN AS ON 31ST DECEMBER 2005

Category		No of shares held	% of shareholding
A	**Promoters Holding**		
1	Promoters		
	Indian Promoters	38490084	40.48%
	Foreign Promoters	3507900	3.69%
2	Persons Acting in Concert		
	- Directors & relatives	75050	0.08%
	Sub-Total	**42073034**	**44.25%**
B	**Non-Promoters Holding**		
3	Institutional Investors		
	a Mutual Funds and UTI	150560	0.16%
	b Banks, Financial Institutions, Insurance Companies, central / State Govt. Institutions / Non Government Institutions)	4861308	5.11%
	c FIIs	1769126	1.86%
	Sub-Total	**6780994**	**7.13%**

4	Others		
	a Private Corporate Bodies	21382081	22.49%
	Indian public	21075412	22.16%
	NRIs / OCBs	2675251	2.81%
	Any other - Clearing Members	1101639	1.16%
	Sub-Total	**46234383**	**48.62%**
	Grand Total	**95088411**	**100.00%**

Plant Locations:

Soda Ash Plant	Village: Sutrapada Near Veraval, Dist. Junagarh – 362 265 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) 15-17, Mohid Tower Daman Road, ChalaVapi - 396 191, Valsad District, Gujarat
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 — R S Jalan
Jt. Managing Director — Jt. 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 year ended December 31, 2005 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 according 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 of operation of such internal controls, if any, of which they are aware and the steps they have taken indicated to the auditors and the Audit committee.

(i) significant changes in internal control over financial reporting during the year,

(ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statement and

(iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management of an employees having a significant role in the company's internal control system over financial reporting.

For GHCL LIMITED

P Sampath — R S Jalan
Jt. Managing Director — Jt. Managing Director
Dated : 21st April, 2006

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 December, 2005, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges.

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

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

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

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

For and on behalf of	For and on behalf of
JAYANTILAL THAKKAR & CO.	RAHUL GAUTAM DIVAN & ASSOCIATES
Chartered Accountants	Chartered Accountants
(C. V. THAKKER)	(RAHUL DIVAN)
Partner	Partner
Membership No: 6205	Membership No: 100733

Place : New Delhi
Date : 21st April, 2006

AUDITORS' REPORT

To the Members of
GHCL LIMITED

1. We have audited the attached Balance Sheet of GHCL Limited as at 31 December 2005 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. On the basis of the written representations received from the Directors as at 31 December 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 December 2005 from being appointed as a director.
   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2005;
      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.

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

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

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

(RAHUL DIVAN)
Partner
Membership No.100733

Place : New Delhi
Date : 21 April, 2006

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 31 December 2005.)

(i) (a) In our opinion, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As explained to us, some of the fixed assets have been physically verified by the management according to a programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies with respect to book records were noticed on such verification.

(c) In our opinion and according to explanations given to us, fixed assets disposed off during the 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 procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls systems.

(v) (a) In our opinion and according to the information and explanations given to us, there are no contracts and arrangements, particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.

(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA and other relevant provisions of the Companies Act, 1956, and the rules framed thereunder. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.

(vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(viii) We have broadly reviewed the books of accounts maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records have been prescribed under Section 209 (1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

(ix) (a) According to the records of the Company and the information and explanations given to us, the Company has been regularly depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee State Insurance, Income tax, Sales Tax, Wealth tax, Service tax, Customs Duty, Excise Duty, Cess and any other statutory dues applicable to it. There are no undisputed statutory dues as referred to above as at 31 December 2005 outstanding for a period of more than six months from the date they become payable.

(b) The disputed statutory dues aggregating to Rs.34.72 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 Millions)
1	Income Tax Act, 1961	Disallowance of deduction, expenses	Commissioner of Income Tax (Appeal)	2002-03	3.09
2	Income Tax Act, 1961	Penalty	Commissioner of Income Tax (Appeal)	2001-02	1.30
3	Income Tax Act, 1961	Disallowance of deduction	Income Tax Appellate Tribunal	2001-02	0.90
4	Income Tax Act, 1961	Disallowance of Expenses	Commissioner of Income Tax (Appeal)	2002-03	22.73
5	Central Excise Act, 1944	CENVAT credit	Commissioner (Appeal) Central Excise	2005-06	0.84
6	Central Excise Act, 1944	CENVAT credit	Commissioner (Appeal) Central Excise	2004-05 & 2005-06	0.10
7	Urban Land Tax Act	Urban Land Tax	Madurai Corporation	1981-2005	5.76

(x) According to the records of the Company, the Company neither has any accumulated losses at the end of the financial year nor has incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) Based on our audit procedures and according to the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks or financial institutions.

(xii) Based on our audit procedures and according to the information and explanations given by the management, we are of the opinion that since the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, it is not required to maintain records in respect thereof.

(xiii) The Company is not a chit fund/nidhi/mutual benefit fund/society to which the provisions of special statue relating to chit fund are applicable. Accordingly paragraph 4(xiii) of the Order is not applicable.

(xiv) According to the information and explanations given by management, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, paragraph 4(xiv) of the Order is not applicable.

(xv) Based on our examination of the records, we are of the opinion that the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are prima facie not prejudicial to the interest of the Company.

(xvi) In our opinion, the term loans have been applied for the purposes for which they were obtained.

(xvii) Based on our examination of the balance sheet and cash flows of the Company as at 31 December 2005, and according to the information and explanations given to us, we report that funds raised on a short-term basis have not been used for long-term investment.

(xviii) During the 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. Accordingly, paragraph 4(xviii) of the Order is not applicable.

(xix) On the basis of records made available to us and according to the information and explanations given by the management, securities have been created in respect of debentures issued.

(xx) We have verified, the end use of money raised by public issue (i.e.FCCB) during the year.

(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 31 December 2005.

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

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

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

(RAHUL DIVAN)
Partner
Membership No.100733

Place : New Delhi
Date : 21 April, 2006

BALANCE SHEET AS AT 31ST DECEMBER, 2005

	Schedules		As at 31.12.2005 (Rs in Millions)		As at 31.03.2005 (Rs in Millions)
SOURCES OF FUNDS					
Shareholder's Funds					
Capital	1	**950.88**		950.88	
Advance against Preferential Warrants	1A	**29.30**		-	
Reserves and Surplus	2	**1,991.10**		1,538.12	
			2,971.28		2,489.00
Loan Funds					
Secured Loans	3	**2,689.94**		2,008.20	
Unsecured Loans	4	**2.90**		4.69	
Unsecured - Foreign Currency Convertible Bonds	4 A	**3,642.63**		-	
			6,335.47		2,012.89
Deferred Tax Liability (net)			**787.50**		799.87
Total			**10,094.25**		5,301.76
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block		**7,598.17**		7,276.13	
Less : Depreciation		**3,789.15**		3,497.06	
Net Block	5	**3,809.02**		3,779.07	
Capital Work-in-Progress		**911.16**		30.98	
Advances against capital expenditure		**212.72**		25.81	
			4,932.90		3,835.86
Investments	6		**1,084.87**		236.83
Current Assets, Loans and Advances	7				
Inventories		**1,081.52**		943.60	
Sundry Debtors		**773.18**		710.77	
Cash and Bank Balances		**1,020.43**		325.18	
Loans and Advances		**2,955.89**		856.40	
		5,831.02		2,835.95	
Less : Current Liabilities and Provisions	8				
Liabilities		**1,587.59**		1,478.45	
Provisions		**335.03**		219.40	
		1,922.62		1,697.85	
Net Current Assets			**3,908.40**		1,138.10
Miscellaneous Expenditure (to the extent not written off or adjusted)					
Deferred Revenue Expenses			**168.08**		90.97
Total			**10,094.25**		5,301.76
Notes on Accounts	16				

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

As per our report attached

For and on behalf of Jayantilal Thakkar & Co. Chartered Accountants	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Jt. Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Jt. Managing Director
		J. P. Mehrotra Sr. General Manager - Finance & Company Secretary	N. Giridhar Sr. General Manager - Accounts

Place : New Delhi
Date : 21 April, 2006

Place : New Delhi
Date : 21 April, 2006

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST DECEMBER, 2005

	Schedules		For the Period Ended 31 December 2005 (Rs in Millions)		For the Year Ended 31 March 2005 (Rs in Millions)
INCOME					
Sales- Gross		5332.83		5,895.50	
Less: Excise Duty & Sales Tax recovered on sales		614.20	4,718.63	696.21	5,199.29
Income from Services			54.36		53.11
Other Income	9		49.87		80.87
TOTAL INCOME			4,822.86		5,333.27
EXPENDITURE					
Manufacturing Expenses	10		2,396.85		2,983.83
Purchase of Trading Goods			206.86		108.65
Payments to and Provisions for employees	11		257.86		316.60
Administrative and Miscellaneous Expenses	12		239.80		296.88
Selling and Distribution Expenses	13		393.81		492.31
Excise Duty			10.95		(6.99)
(Increase)/Decrease in Stock	14		(78.98)		14.28
SUB TOTAL			3,427.15		4,205.56
Profit before Financial expenses and Depreciation			1,395.71		1,127.71
Financial Expenses	15		78.00		155.94
Profit Before Depreciation			1,317.71		971.77
Depreciation/ Amortisation			296.83		356.70
Profit Before Taxation			1,020.88		615.07
Provision For Taxes					
- Current Tax			300.59		89.18
- Fringe Benefit Tax			8.74		-
- Deferred Tax (Net)			(9.76)		121.90
Profit For The Year after Tax			721.31		403.99
Balance brought forward from previous year			912.92		775.44
Prior period adjustment			(12.01)		3.15
Excess provision for Tax for earlier years			1.29		(24.10)
Excess provision for Deferred Tax for earlier years			2.60		22.40
Debenture Redemption Reserve written back			55.34		-
Amount Available For Appropriation			1,681.45		1,180.88
APPROPRIATIONS					
Transfer to Debenture Redemption Reserve			-		10.71
Transfer to General Reserve			72.18		40.40
Proposed Dividend on Equity Shares			228.21		190.18
Tax on Dividend			32.00		26.67
Balance Carried To Balance Sheet			1,349.06		912.92
			1,681.45		1,180.88
Earnings per Share(Rupees) - Basic (9 Months)			7.50		N/A
Earnings per Share(Rupees) - Diluted (9 Months)			7.37		N/A
Earnings per Share(Rupees) - Basic (Annualized)			10.00		4.26
Earnings per Share(Rupees) - Diluted (Annualized)			9.82		4.26
(See note no 31 on 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 Jayantilal Thakkar & Co. Chartered Accountants	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Jt. Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Jt. Managing Director
		J. P. Mehrotra Sr. General Manager - Finance & Company Secretary	N. Giridhar Sr. General Manager - Accounts

Place : New Delhi
Date : 21 April, 2006

Place : New Delhi
Date : 21 April, 2006

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST DECEMBER, 2005

		For the Period Ended 31 December 2005 (Rs in Millions)		For the Year Ended 31 March 2005 (Rs in Millions)
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and Extraordinary items		**1,020.88**		615.07
Adjustment for :				
Depreciation / Amortisation	**296.83**		356.70	
Foreign Exchange Gain (Net)	**(9.60)**		(5.21)	
Income from Investments	**-**		(0.22)	
Income From Dividend	**(0.10)**		(0.11)	
Investment written off	**0.07**		-	
Prior Period Adjustments	**(12.01)**		3.15	
(Profit)/Loss on Sales / Discarding on Fixed Assets (Net)	**0.37**		(54.31)	
Provision for Doubtful Debts / Advances (Net)	**6.58**		(0.38)	
Loss/ (Profit) on Sale of Investments (Net)	**(4.42)**		-	
Financial Expenses (Net)	**78.00**	**355.72**	155.94	455.56
Operating Profit before Working capital Changes		**1,376.60**		1,070.63
Adjustments for :				
Trade & other Receivables	**(128.01)**		(435.15)	
Inventories	**(137.92)**		(125.67)	
Trade payables	**106.00**	**(159.93)**	109.31	(451.51)
Other Adjustments				
Deferred Revenue Expenditure (to the extent not written off)		**(77.10)**		26.40
Cash Generated from Operations		**1,139.57**		645.52
Direct taxes paid		**(211.98)**		(104.16)
Net cash from Operating Activities		**927.59**		541.36
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		**(1,229.34)**		(722.08)
Advance for Capital Expediture		**(186.91)**		(17.75)
Sale of Fixed Assets		**14.92**		178.60
(Purchase)/ Sale of Investments		**103.42**		(95.07)
Investment/ Advances in Subsidiaries		**(3,011.37)**		(48.10)
Income from Investments		**-**		0.22
Interest Received		**56.24**		8.49
Dividend Received		**0.10**		0.11
Net cash used in Investing Activities		**(4,252.94)**		(695.58)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Secured Loans		**1,026.81**		788.94
Advance against Preferential Warrants		**29.30**		-
Repayment of Secured Loans		**(345.06)**		(279.56)
Repayment of Unsecured Loans		**(1.79)**		(27.89)
Proceeds from Foreign Currency Convertible Bonds		**3,642.63**		-
Gain on Exchange		**9.60**		5.21
Interest and Finance Charges Paid		**(131.33)**		(164.33)
Dividend and tax thereon paid		**(209.56)**		(159.47)
C. Net Cash used from Financing Activities		**4,020.60**		162.90
Net Increase in Cash and Cash Equivalents (A+B+C)		**695.25**		8.68
Cash and Cash Equivalents at beginning of period		**325.18**		316.50
Cash and Cash Equivalents at end of Period		**1,020.43**		325.18
Note :				
Cash and Cash Equivalents as at end of period		**1,000.75**		325.18
Effect of exchange rate changes Gain/(Loss)		**19.68**		
Cash and Cash Equivalents as restated		**1,020.43**		325.18

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

Place : New Delhi
Date : 21 April, 2006

Sanjay Dalmia
Chairman

P. Sampath
Jt. Managing Director

Dr. B.C. Jain
Director

R. S. Jalan
Jt. Managing Director

J. P. Mehrotra
Sr. General Manager -
Finance & Company Secretary

N. Giridhar
Sr. General Manager -
Accounts

Place : New Delhi
Date : 21 April, 2006

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 1 : SHARE CAPITAL

	As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
SHARE CAPITAL		
Authorised		
100,000,000 Equity Shares of Rs. 10/- each	**1,000.00**	1,000.00
25,000,000 Cumulative Redeemable Preference Shares of Rs. 10/- each	-	250.00
25,000,000 Unclassified Shares of Rs. 10/-	**250.00**	-
	1,250.00	1,250.00
Issued, Subscribed and Paid up		
95,088,411 Equity Shares of Rs. 10/- each fully paid up	**950.88**	950.88
	950.88	950.88

Notes :

Of the above

1. 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.
2. 1,838,011 Equity Shares of Rs. 10/- each are issued as fully paid (pursuant to the Scheme of Amalgamation for consideration other than cash).
3. 25,000,000 Cumulative Redeemable Preference Shares of Rs. 10/- each converted into 25,000,000 Unclassified Shares of Rs. 10/- each.

SCHEDULE 1A : ADVANCE AGAINST PREFERENTIAL WARRANTS

	As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
4,500,000 Preferential Equity Warrants of Rs. 65.10/- each	**29.30**	-
	29.30	-

The Company has allotted 4,500,000 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 17, March 2007. The preferential issue is at Rs.65.10 per warrant (including premium of Rs 55.10 per warrant). Against this, the Company has received Rs 6.51 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 31.12.2005 (Rs in Millions)		As at 31.03.2005 (Rs in Millions)
CAPITAL RESERVE				
Cash subsidy	**2.57**		2.57	
Surplus on re-issue of forfeited shares	**1.55**		1.55	
		4.12		4.12
DEBENTURE REDEMPTION RESERVE				
As per last Balance Sheet	**192.84**		182.12	
Transfer from Profit and Loss Account	**-**		10.72	
	192.84		192.84	
Transfer to Profit and Loss Account	**55.34**		-	
		137.50		192.84
CAPITAL REDEMPTION RESERVE				
As per last Balance Sheet		**100.00**		100.00
INVESTMENT ALLOWANCE RESERVE				
As per last Balance Sheet		**108.60**		108.60
GENERAL RESERVE				
As per last Balance Sheet	**219.64**		179.24	
Transfer from Profit and Loss Account	**72.18**		40.40	
		291.82		219.64
PROFIT AND LOSS ACCOUNT				
Balance as per account annexed		**1,349.06**		912.92
Total		**1,991.10**		1,538.12

SCHEDULE 3 : SECURED LOANS

	As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
DEBENTURES		
10.25% Non Convertible Debentures	**-**	150.00
10.00% Non Convertible Debentures	**183.33**	275.00
FROM BANK / FINANCIAL INSTITUTIONS		
Working Capital Loans	**490.33**	503.60
Foreign Currency Loan	**300.44**	363.35
Rupee Term Loan	**1,715.84**	716.25
Total	**2,689.94**	2,008.20

Notes:

1) 10% Non-Convertible Debentures privately placed with Financial Institution are to be redeemed at par in three equal installments at the end of 5th, 6th and 7th year from the date of allotment i.e.28th April 2000, 25th August 2000 and 6th November 2000 and are secured by registered mortgage in favour of the Trustees on immovable properties of Soda Ash division situated at Village Sutrapada, 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 97.75 Million has been secured by first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at (1) Village Sutrapada and Kadwar,Veraval in Gujarat (2) Noida in U.P (3) Ahmedabad properties and hypothecation of specified movable assets of Soda Ash Division both present and future.

b.) Loan aggregating to Rs 35.00 Million has been secured by first charge on moveable fixed assets of ITES Division both present and future.

c.) Loan aggregating to Rs 167.69 Million has been secured by 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 :-**

a.) Loan aggregating to Rs 421.40 Million has been secured by first charge by way of equitable mortgage on core assets of textile division situated at Paravai and Manaparai, Tamil Nadu and hypothecation of specified movable assets both present and future of the company's Textile Division. The said loan is availed under Technology Upgradation Fund Scheme for Textile.

b.) Loan aggregating to Rs 677.89 Million has been secured by first charge by way of equitable mortgage on fixed assets of the proposed 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.) Rupee Term Loan of Rs 120 Million has been secured by an exclusive first charge on all present movable assets of Edible Salt division situated at Thiruporur and Vedaranyam and Industrial Salt Division.

d.) Loan aggregating to Rs 123.33 Million has been 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.

e.) Loan aggregating to Rs 173.22 Million has been 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.

f) Loan aggregating to Rs 50.00 Million has been secured by way of first pari passu charge on movable fixed assets of Soda Ash Division situated at Village Sutrapada, Veraval in Gujarat.

g.) Loan aggregating to Rs 150.00 Miliion has been 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.

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

5) Specified movable assets referred to in the above notes include all movable assets of Soda Ash Division (save and except book debts 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 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
Fixed Deposits	**-**	0.34
Other Loans and Advances :		
Interest free Sales Tax loan	**2.90**	4.35
Total	**2.90**	4.69

SCHEDULE 4 A : UNSECURED FOREIGN CURRENCY CONVERTIBLE BONDS

	As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
Foreign Currency Convertible Bonds	**3,642.63**	-
Total	**3,642.63**	-

During the period, 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 will be fixed in September 2006 based on a price mechanism plus a premium of 10%. Such conversion option is exercisable between 21 September 2006 and 21 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.

SCHEDULE 5 : FIXED ASSETS

(Rs. in Millions)

PARTICULARS	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK	
	As at 01.04.2005	Additions (Deletions)	As at 31.12.2005	As at 01.04.2005	Additions (Deletions)	As at 31.12.2005	As at 31.12.2005	As at 31.03.2005
TANGIBLE ASSETS								
Leasehold Land	60.07	-	60.07	7.62	0.14 -	7.76	52.31	52.45
Freehold Land	294.06	11.74 (0.09)	305.71	-	- -	-	305.71	294.06
Buildings	849.72	27.17 (7.81)	869.08	205.27	17.38 (1.23)	221.42	647.66	644.45
Plant and Machinery	5,198.43	156.91 (1.70)	5,353.64	3,110.23	226.05 (0.50)	3,335.78	2,017.86	2,088.20
Furniture and Fixtures	69.59	4.54 (0.04)	74.09	27.13	3.23 (0.03)	30.33	43.76	42.46
Office Equipments	88.28	7.55 (0.37)	95.46	49.30	4.07 (0.23)	53.14	42.32	38.98
Vehicles	29.54	5.86 (1.32)	34.08	12.01	2.31 (0.99)	13.33	20.75	17.53
Wind Turbine Generators	408.21	- (3.91)	404.30	4.86	15.96 -	20.82	383.48	403.35
Leased Mines	133.98	64.21 -	198.19	7.15	11.95 -	19.10	179.09	126.83
INTANGIBLE ASSETS								
Goodwill	26.23	- -	26.23	20.99	3.93 -	24.92	1.31	5.24
Software	3.80	0.52 -	4.32	1.01	0.61 -	1.62	2.70	2.79
Salt Works Reservoirs and Pans	114.22	63.89 (5.11)	173.00	51.49 -	11.52 (2.08)	60.93	112.07	62.73
Total	**7,276.13**	**342.39 (20.35)**	**7,598.17**	**3,497.06**	**297.15 (5.06)**	**3,789.15**	**3,809.02**	**3,779.07**
Previous Year	6,602.53	803.02 (129.42)	7,276.13	3,145.40	356.79 (5.13)	3,497.06	3,779.07	-

1. Building include a sum of Rs. 9.14 Million (Previous Year Rs 9.14 Million) being cost of office premises acquired on ownership basis.
2. Pending transfer of lease rights / extension of lease of salt fields at Vedranium (Tamil Nadu) the advance of Rs 45.00 Million paid has been apportioned to various assets as per the valuation report. (See note 3 Schedule 16)
3. Leased mines represent expenditure incurred on development of mines.
4. Current Period Depreciation includes Rs 0.31 Million(Previous Year Rs 0.09 Million) included in pre-operative expenses.

SCHEDULE 6 : INVESTMENTS

		As at 31.12.2005 (Rs in Millions)		As at 31.03.2005 (Rs in Millions)
LONG TERM INVESTMENTS (AT COST)				
OTHER THAN TRADE				
Quoted				
16300 Equity shares of IDBI Bank Limited of Rs. 10/- each fully paid up	-		0.29	
8300 Equity shares of HDFC Bank Limited of Rs. 10/- each fully paid up	0.08		0.08	
68598 Equity shares of IDBI Limited of Rs. 10/- each fully paid up	4.93		4.64	
(11478 shares issued in Lieu of 16300 shares in erstwhile IDBI Bank Limited)				
2595 Equity shares of Dena Bank of Rs. 10/- each fully paid up	0.07		0.07	
# 1860 Equity shares of Gnanambigai Mills Limited of Rs. 10/- each fully paid up	-		0.02	
4500 Equity shares of Canara Bank of Rs. 10/- each fully paid up	0.16		0.16	
		5.24		5.26
Unquoted				
Govt securities - 7 year National Savings Certificates (Pledged with Government Authorities)	0.78		0.78	
# Nil (P.Y.10) Equity Shares of Rs 10/- each fully paid up of Shree Uma Parameswary Mills (Rs 100/-)	-		-	
# Nil (P.Y.10) Equity Shares of Rs 10/- each fully paid up of Kodaikanal Co-operative Stores Ltd (Rs 100/-)	-		-	
# Nil (P.Y.50) Equity shares of Rs. 20/- each fully paid up of Pudukottai Central Co op Supply & Marketing Society Limited. (Rs 1000/-)	-		-	
# Nil (P.Y.10) Equity shares of Rs. 10/- each fully paid up of Pandian Co op Super Market Limited. (Rs. 100/-)	-		-	
# Nil (P.Y. 5000) Equity Shares of Rs 10/- each fully paid up of GHCL Co-operative Society Limited.	-		0.05	
		0.78		0.83
SHARES IN WHOLLY OWNED SUBSIDIARIES - (Unquoted)				
750000 Equity shares of Rs. 10 each fully paid of Colwell & Salmon Communications (India) Ltd.	7.50		7.50	
2000 (Previous Year1666.6) shares of US $ 1.00 each fully paid up of Colwell & Salmon Communications Inc, USA (Acquired 333.4 Shares during the Year)	131.44		124.24	
174873 Equity Shares of EUR 100 each fully paid up of Indian Britain B.V (Acquired / Subscribed during the Year)	939.91		-	
		1,078.85		131.74
CURRENT INVESTMENTS - (UNQUOTED)				
(Sold during the Period)				
Nil (Previous Year 3097301) Units of DSML Floating Rate Fund	-		34.00	
	-			
Nil (Previous Year 458354 Units) of Birla Floating Rate Fund Growth	-		5.00	
	-			
Nil (Previous Year 1856229) Units of Reliance Treasury Plan Institutional Plan			30.00	
	-			
Nil (Previous Year 2926059) Units of Ing Vysya Floating Rate Fund Growth	-		30.00	
				99.00
Total		**1084.87**		236.83

	As at 31.12.2005		As at 31.3.2005	
	Book Value	Market Value	Book Value	Market Value
Quoted	5.24	13.70	5.26	11.75
Others	1,079.63		231.57	
	1,084.87		236.83	

Figures of Rs. 5000 or less have been shown at actuals in brackets.

Investment written off during the year.

(DETAILS OF INVESTMENTS PURCHASED & SOLD DURING THE PERIOD -SEE NOTE NO 27 OF SCHEDULE 16)

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

		As at 31.12.2005 (Rs in Millions)		As at 31.03.2005 (Rs in Millions)
CURRENT ASSETS				
Inventory (as taken, valued and certified by the Management)				
At cost or net realisable value which ever is lower				
Raw materials		**593.31**		585.01
Finished goods		**183.78**		101.33
Stock in process		**55.00**		58.48
Stores and spares		**249.43**		198.78
Total		**1,081.52**		943.60
Sundry Debtors (Unsecured, considered good unless stated otherwise)				
Outstanding over six months				
Considered good	**2.06**		6.83	
Considered doubtful	**11.04**		2.76	
Provision for Doubtful Debts	**(11.04)**		(2.76)	
		2.06		6.83
Other debts		**771.12**		703.94
Total		**773.18**		710.77
Cash & Bank Balances				
Cash balance on hand		**1.02**		2.12
Current Account with Banks				
- Scheduled Banks		**162.57**		102.03
- Deustche Bank Singapore A.G (maximum balance Rs 2595.79 Million)		**0.54**		-
Fixed deposit				
- Scheduled Banks		**62.92**		60.20
(Pledged with Govt Authorities/ Banks-Rs 7.66 Million (Previous Year Rs 6.5. Million))				
- Deustche Bank Singapore AG (maximum balance Rs 3510.80 Million)		**684.41**		-
In Margin Account		**4.83**		39.21
Remittances in transit		**104.14**		121.62
Total		**1,020.43**		325.18
LOANS AND ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received - Considered Good	**765.59**		716.38	
- Considered Doubtful	**-**		1.70	
Less : Provision for Doubtful Advances	-		(1.70)	
		765.59		716.38
Share application money for Shares in Wholly owned Subsidiary Company		**253.69**		-
Due from Wholly owned Subsidiary Companies				
- Loans	**1,772.43**		71.61	
- Others	**109.74**		-	
		1,882.17		71.61
Interest Accrued on Investments		**0.58**		0.48
Balances with Customs, Port Trust, Central excise etc.,		**53.26**		42.04
Income Tax paid/Tax Deducted at Source (net of provisions)		**-**		23.79
Fixed Deposits with Sardar Sarover Narmada Nigam Ltd.		**0.60**		2.10
(Pledged with the Govt Authorities Rs 0.60 Million-(Previous Year Rs 0.60 Million))				
Total		**2,955.89**		856.40

SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS

	As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
CURRENT LIABILITIES		
Sundry Creditors for Goods and Expenses	**597.54**	538.71
Sundry Creditors for Capital Expenditure	**134.40**	141.48
Sundry Creditors-Small Scale Industrial Undertakings	**1.60**	9.71
Advances from Customers	**33.97**	51.22
Trade Deposits from Dealers	**11.18**	11.08
* Investor Education & Protection Fund shall be credited by		
-Unclaimed Dividend	**31.03**	23.74
-Unclaimed Fixed Deposits	**1.13**	1.43
-Interest Accrued on Unclaimed Fixed Deposits	**0.30**	0.77
Other liabilities	**772.58**	699.35
Interest accrued but not due	**3.86**	0.96
Total	**1,587.59**	1,478.45
PROVISIONS		
Wealth Tax	**2.55**	2.55
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	**228.21**	190.18
Tax on Dividend	**32.00**	26.67
Total	**335.03**	219.40

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

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

SCHEDULE 9 : OTHER INCOME

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Dividend Income	**0.10**	0.10
Interest on Income Tax Refund	**2.28**	-
Gain on Exchange (net)	**9.60**	5.21
Profit on sale of assets (net)	**-**	54.31
Profit on sale of Investment (net)	4.**42**	4.63
Bad debts recovered	**-**	0.70
Sundry Credit Balances Written back (net)	**16.14**	-
Rent Income	**6.26**	6.65
(Tax Deducted at Source Rs. 1.2 Million, (Previous year 1.38 Million))		
Provision for Doubtful Debts written back	**-**	0.38
Miscellaneous Income	**11.07**	8.89
Total	**49.87**	80.87

SCHEDULE 10 : MANUFACTURING EXPENSES

		For the Period Ended 31 December 2005 (Rs in Millions)		For the Year Ended 31 March 2005 (Rs in Millions)
Raw Materials Consumed		**1,327.94**		1,718.39
Stores and Spares		**97.06**		123.98
Repairs and Maintenance				
Machinery	**53.84**		60.36	
Building	**1.76**		3.29	
Others	**7.77**		8.55	
		63.37		72.20
Power, Fuel and Water		**570.35**		750.72
Other Manufacturing Expenses		**208.75**		147.16
Packing Expenses		**98.65**		136.20
Operating Expenses for Services		**30.73**		35.18
Total		**2,396.85**		2,983.83

SCHEDULE 11 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Salaries, Wages and Bonus	**210.87**	253.05
Contribution to PF and other funds	**27.48**	43.92
Staff Welfare	**19.51**	19.63
Total	**257.86**	316.60

SCHEDULE 12 : ADMINISTRATIVE AND MISCELLANEOUS EXPENSES

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Travelling & Conveyance	**39.04**	45.79
Rent and Lease Rent	**21.19**	27.88
Rates and Taxes	**2.79**	5.63
Insurance	**22.90**	38.85
Commission to Directors	**37.71**	16.87
Communication Expenses	**13.29**	15.31
Legal & Professional Expenses	**42.42**	51.80
Miscellaneous Expenses	**30.62**	50.05
Deferred Revenue Expenditure Written Off	**17.93**	41.83
Sundry Balances Written Off (net)	**-**	0.62
Bad Debts / Irrecoverable amounts written off (net)	**2.29**	0.49
Donation	**2.60**	1.76
Provision for Doubtful Debts / Advances (net)	**6.58**	-
Investment written off	**0.07**	-
Deficit on Sale/ Discarding of Fixed Assets (Net)	**0.37**	-
Total	**239.80**	296.88

SCHEDULE 13 : SELLING AND DISTRIBUTION EXPENSES

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Cash Discount	**26.65**	36.68
Freight and Forwarding	**206.78**	268.97
Commission on Sales	**159.28**	182.76
Rent on Godowns	**1.10**	3.90
Total	**393.81**	492.31

SCHEDULE 14 : (INCREASE)/ DECREASE IN STOCK

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Opening stock		
Finished Goods	**101.33**	147.70
Trading Goods	**-**	0.09
Stock in Process	**58.48**	26.30
	159.81	174.09
Closing stock		
Finished Goods	**183.78**	101.33
Trading Goods	**0.01**	-
Stock in Process	**55.00**	58.48
	238.79	159.81
(Increase)/Decrease in Stock	**(78.98)**	14.28

SCHEDULE 15 : FINANCIAL EXPENSES

		For the Period Ended 31 December 2005 (Rs in Millions)		For the Year Ended 31 March 2005 (Rs in Millions)
Interest - Fixed Loans		**68.19**		82.75
- Others		**29.29**		27.05
Other financial Charges		**36.76**		54.64
		134.24		164.44
Less : Interest from Subsidiaries	**4.44**		2.86	
Interest Income Others	**51.80**		5.64	
		56.24		8.50
Total		**78.00**		155.94

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, sales tax and export benefits under DFRC Scheme.

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

Fixed Assets and Depreciation

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

Impairment of Assets

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price or its value in use. Value in use is the present value of estimated future cashflow expected to arise from the continuing use of an asset and from its disposal at the end of its useful life . Net selling price is the amount obtainable from the sale of an asset 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 & excise duty.

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

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

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

Foreign Currency Transactions

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 has been 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.

Retirement Benefits

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

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

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

Deferred Revenue Expenditure
In terms of the Accounting Standard 26 - Intangible Assets 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 & 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 5 years.

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

Leases
Leases entered into before 1st April 2001 are treated as operating leases and lease rental paid are charged to Profit and Loss Account. Leases entered into on or after 1st April, 2001 are accounted in accordance with 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 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
2.	(a) Estimated value of contracts remaining to be executed on Capital Account and not provided for.	**1316.73**	367.41
	(b) Contingent Liabilities :		
	(i) Guarantees issued by banks	**36.43**	45.77
	(ii) Letters of Credit	**549.08**	124.77
	(iii) Bills discounted with banks (since realized)	**39.98**	30.63
	(iv) Claims against the Company not acknowledged as debts		
	- Income Tax & Wealth Tax	**27.67**	5.40
	- Sales Tax	**12.05**	147.67
	- Excise matters	**3.55**	5.85
	- Other claims	**51.10**	50.77
	(v) Corporate guarantee & Standby Letters of Credit to Bank on behalf of subsidiaries of the company	**107.48**	106.38

(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	**1416.94**	5.03

3. An amount of Rs 45.0 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. Necessary adjustment, if required, in the books shall be carried out once the arbitration order is received.
4. Provision for taxation includes Rs.0.3 Million (Previous year Rs. 0.3 Million) for Wealth Tax.
5. i) Fixed Deposits due within one year is Nil (Previous year Rs 0.34 Million).
   ii) Interest Free Sales Tax Loan Rs. 1.48 Million (Previous Year Rs.1.45 Million) is due within one year.
6. Sundry Debtors, Creditors and Loans and Advances are subject to confirmation and consequential adjustment, if any.

7. Unquoted investments include shares in Collwel & Salmon Communications (India) Limited, a subsidiary company, which is of long term strategic value .In the opinion of the management, the current diminution in the value of this investment is temporary in nature considering the inherent value and nature of investee's business proposal and hence no provision is required.

8. During the period, the company has acquired 333.4 fully paid up equity shares representing 16.67% of fully paid up equity share capital of Colwell & Salmon Communications, Inc, USA (C&S) for a consideration of US $ 0.17 Million (Rs 7.21 Million). Consequently C& S has become a wholly owned subsidiary.

9. The Company has acquired the shares in Indian Britain B.V. (formerly known as Valdralona Investments B.V.) in Netherlands making it a wholly owned subsidiary. After the initial acquisition the Company has further subscribed to 174691 equity shares of EUR 100 each.

   The Company through the above subsidiary company has acquired/ formed, the following overseas companies

	% Holding
Indian England N.V. Netherlands (Formerly known as Centraal Europese Petrochemische Ontwikkelings Maatschappij, N.V.)	100.00
Melidor N.V. Netharlands	100.00
GHCL Inc. USA.	100.00
S.G Bega Upsom S.A Romania	64.75

10. Provision for doubful debts has been made for Rs 7.6 Million for balance receivable from Product Direct Limited due to an unfavorable decree issued. The sundry debtors balance shall be written off after appropriate approval from Reserve Bank of India is granted.

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 Date for lease arrangements amount to :-

(Rs in Millions)

	Receivable	Payable
due within one year	7.91	6.85
due within the following four years	2.71	8.49
due after five years	Nil	Nil

12. Borrowing costs capitalized during the year Rs.8.26 Million (Previous year Rs.5.54 Million)

13. The value of Finished Goods includes excise duty not paid Rs.7.92Million (Pervious year Rs.2.63 Million). This has however, no impact on the profit for the year. The value of Lignite at mines includes royalty of Rs0.84 Million(Previous year 0.84 Million) on the closing stock.

14. Loans & Advances includes 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. 0.10 Million paid to the Director (Previous Year - Rs. 0.13 Million) and Rs 0.09 Million paid to relative of the Director(Previous year - Rs.0.12 Million).

15. Provision for tax for the period is based on taxable profits of the relevant period and after considering actual additions to Fixed Assets till date. As far as annual deductions are concerned such as depreciation the same has been taken proportionately. The ultimate tax liability can be determined on the basis of taxable income of the Fiscal Year ending 31st March 2006.

16. **Related Party Transactions:**

   a **Subsidiary :**
   Colwel & Salmon Communications (India) Limited
   Colwel & Salmon Communications Inc, USA
   Indian Britain B.V.Netherlands (Formerly known as Valdralona Investments B.V.)
   Indian England N.V. Netherlands (Formerly known as Centraal Europese Petrochemische Ontwikkelings Maatschappij, N.V.)
   Melidor N.V. Netharlands
   GHCL Inc. USA.
   S.G Bega Upsom S.A Romania

   b **Key Management Personnel:**
   P. Sampath, Joint Managing Director
   R. S. Jalan, Joint Managing Director
   Tej Malhotra, Sr. Executive Director - Operations
   N. S. Ramachandran, Executive Director - till 04/05/2005

   c **Relative of Key Management Personnel:**
   Vidyavati Malhotra, M/o Tej Malhotra

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

Rs. in Millions

Type of Transactions	Subsidiary	Key Management Personnel	Relative of Key Management Personnel
1 Purchase or Sale of Fixed Assets		(0.08)	
2 Leasing & Hire purchase transactions		0.10	0.09
		(0.13)	(0.12)
3 Finance:			
- Loans	1,812.14		
	(40.28)		

	- Equity	947.12		
		(7.81)		
	- Advance for Shares	253.69		
4	Services			
	- Income	45.58		
		(38.40)		
	- Expenses	10.28		
		(17.10)		
	Others/ Interest Charged	2.16		
		(2.86)		
5	Remuneration		35.95	
			(22.18)	
6	Balances as on 31st December, 2005			
	- Investments	1,078.85		
		(131.74)		
	- Loans & Advances	1,883.75		
		(71.61)		
	- Advance for Shares	253.69		
	- Advances for Rental Accommodation		0.02	0.02
			(0.02)	(0.02)
	- Debtors	17.76		
		(12.34)		
	- Creditors	3.60		
		(1.15)		

Figures in brackets relate to year ended 31st March 2005.

(Rs in Millions)

		As at 01.04.2005	Current Period Charge/(Credit)	As at 31.12.2005
17.	Deferred Tax			
a)	Deferred tax liability on account of:			
i)	Depreciation	749.24	(66.11)	683.13
ii)	Others			
	Deferred Revenue Expenditure	60.33	53.16	113.49
		809.57	**(12.95)**	**796.62**
b)	Deferred tax assets on account of:			
i)	Employee Benefit	3.98	(1.35)	2.63
ii)	State & Central Taxes & Cess	5.72	0.77	6.49
		9.70	**(0.58)**	**9.12**
	Total	**799.87**	**(12.37)**	**787.50**

Current period charge / (credit) includes Rs. 2.60 Million on account of priod period adjustment.

18. **Capital work in Progress includes Incidental Expenditure during Project Implementation/Expansion**

			For the Period Ended 31 December, 2005 (Rs in Millions)		For the Year Ended 31 March, 2005 (Rs in Millions)
1	Material for trial run & start up for machinery		7.63		-
2	Salaries, Wages, Gratuity etc		7.90		2.19
3	Contribution to Provident & Other Funds		0.74		0.29
4	Staff Welfare		0.72		0.29
5	Communication Expenses		0.51		0.22
6	Travelling & Conveyance		14.70		1.17
7	Rent & Lease Rent		2.15		0.39
8	Repair and Maintenance - Others		0.12		0.05
9	Insurance		2.12		-
10	Legal and Professional Expenses		2.32		0.23
11	Miscellaneous Expenses		2.41		1.24
12	Financial Charges		9.53		8.38
13	Interest Charges	7.01		0.49	
	Less : Interest Received on FDR (TDS Nil)	0.13	6.88	0.02	0.47
14	Depreciation		0.30		0.09
			58.03		15.01
	Less: Miscellaneous Income	0.05		-	
	Less: Stock of fabric for trial run	7.63		-	
			7.68		-
	Total Preoperative Expenses		50.35		15.01
	Add : Preoperative expenses incurred up to previous year		15.01		-
	Total		**65.36**		**15.01**

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

		For the Period Ended 31 December, 2005 (Rs in Millions)		For the Year Ended 31 March, 2005 (Rs in Millions)
Manufacturing Expenses		**70.56**		105.30
Stores and spares consumed		**2.39**		2.28
Power and fuel		**15.82**		21.65
Cess and Royalty		**23.64**		32.02
Repairs and maintenance				
Building		**0.22**		0.33
Plant and machinery		**6.63**		6.83
Earth work		**5.86**		13.25
Others		**1.79**		2.17
Salaries and Wages		**36.56**		50.40
Traveling & Conveyance		**1.71**		2.19
Lease Rent		**4.56**		6.65
Rates and taxes		**0.34**		0.25
Insurance		**2.41**		0.99
Interest - Fixed Loan		**10.95**		6.58
Misc. Expenses (Including Deferred Revenue & Intangible Expenses)		**17.46**		25.93
Less: Interest on Investments (other than trade)	**(0.05)**		(0.06)	
Other Misc. Income	**(14.83)**		(5.55)	
Cost of Goods sold	**(1.09)**		(3.23)	
		(15.97)		(8.84)
Total		**184.93**		267.98 0

20. Payment to Auditors'

	For the Period Ended 31 December, 2005 (Rs in Millions)	For the Year Ended 31 March, 2005 (Rs in Millions)
(a) To Statutory Auditors : (excluding service tax)		
Audit fee	**0.80**	0.70
Tax Audit Fee	**0.05**	0.07
Limited Review Report	**0.40**	0.35
Certification	**0.49**	0.02
Taxation matters	**0.27**	0.36
Out of pocket expenses	**0.06**	0.06

(Certification includes Rs 0.47 Million shown in Preoperative expenses and Derferred Revenue Expenditure)

(b) To Cost Auditors: (excluding service tax)		
Audit Fee	**0.08**	0.08
Out of pocket expenses	**-**	0.01

21. Managerial Remuneration

	For the Period Ended 31 December, 2005 (Rs in Millions)	For the Year Ended 31 March, 2005 (Rs in Millions)
(a) Wholetime Directors		
Salaries	**4.75**	7.24
Contribution to Provident and Superannuation funds	**0.90**	1.33
Perquisites	**1.33**	1.96
Gratuity	**0.16**	0.24
Commission	**28.80**	11.40
(b) Other Directors		
Sitting Fees	**0.36**	0.38
Commission	**8.91**	5.47
	45.21	28.02

(c) Computation of Net Profit as per Section 349 / 350 of the Companies Act, 1956

Profit for the year (as per Profit & Loss Account)	**721.31**	403.99
Add :		
Provision for Taxation	**299.57**	211.08
Managerial Remuneration	**45.21**	28.03
Provision for Doubtful Debts	**6.58**	-
Deferred Revenue Expenses charged to Profit and Loss Account	**51.67**	41.83
Investment written off	**0.07**	-
	1,124.41	684.93
Less :		
Profit on Sale of Investment (Net)	**4.42**	4.63
Profit on Sale of Assets (Net)	**-**	54.31
Deferred Revenue Expenses incurred during the period	**141.05**	15.44
Provision for Doubtful Debts written back	**-**	0.38
Net Profit u/s 349 of the Companies Act, 1956	**978.94**	**610.17**
Commission payable to : -		
-Jt Managing Directors and Executive Directors as decided by the Board	**28.80**	11.40
- Non-Wholetime Directors as decided by the Board prorata for the period of service.	**8.91**	5.47

22. Expenditure in Foreign Currencies:

Foreign Travel	**15.23**	3.25
Commission on Export Sales	**13.30**	14.39
Interest and Commitment Charges	**87.26**	14.68
Others	**68.61**	23.87

23. Remittances during the year in foreign currency on account of

Dividends to non-resident shareholders	**8.31**	6.43
Dividend for the financial year ended :	**2004-05**	**2003-04**
Number of Non-resident Shareholders:	**868**	959
Number of Shares:	**4,153,908**	4,287,608

24. Earnings in foreign exchange

(a) Export of Finished Goods on F.O.B basis	**708.83**	737.75
(b) Recovery towards Freight etc. on Exports	**84.83**	152.58
(c) Export Income from services	**8.89**	14.67
(d) Others	**30.57**	3.98

25. Value of imports on CIF Basis:

Raw Materials and Utilities	**313.77**	342.24
Components and spare parts	**6.74**	13.93
Capital Goods	**498.20**	32.71
Trading Goods	**-**	25.82

26. Quantitative information in respect of Company's operations:

(a) Capacity (as certified by the Management)

		For the Period Ended 31 December, 2005 (Annualised)		For the Year Ended 31 March, 2005	
	UNIT	**Installed**	**Licensed**	Installed	Licensed
Soda Ash	MT.	**600,000**	**N.A.**	600,000	N.A.
Refined Salt	MT.	**200,000**	**N.A.**	200,000	N.A.
Yarn - Spindles	No.	**82,592**	**N.A.**	64,268	N.A.
Rotors	No.	**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.

		For the Period Ended 31 December, 2005		For the Year Ended 31 March, 2005	
	UNIT	**Qty.**	**Rs in Millions**	Qty.	Rs in Millions
(b) Opening Stock					
Soda Ash	MT.	**2,609**	**12.10**	13,938	71.58
Yarn	MT.	**514**	**61.61**	632	63.17
Others			**27.62**		12.95
			101.33		147.70

(c)	Production					
	Soda Ash	MT.	**392,392**		516,686	
	Refined Salt	MT.	**38,532**		91,682	
	Yarn	MT.	**4,319**		5,243	
	Detergent	MT.	**4,679**		2,130	
(d)	Purchase of Trading Goods			**206.86**		108.65
(e)	Purchase					
	Yarn	MT.	**1,370**		1,004	
(f)	Consumption for internal use.					
	Soda Ash *	MT.	**13,255**		15,372	
	Yarn		**1,035**		1,927	
(g)	Sales					
	Soda Ash	MT.	**370,847**	**3984.44**	512,643	4579.32
	Yarn	MT.	**4,855**	**664.41**	4,357	718.48
	Others			**683.98**		597.70
				5332.83		**5895.50**
(h)	Closing Stock					
	Soda Ash	MT.	**10,899**	**61.96**	2,609	12.10
	Yarn	MT.	**312**	**40.69**	514	61.61
	Others			**81.13**		27.62
				183.78		**101.33**

* Including transit differences.

(i)	Consumption of Raw Materials and Consumables					
	Salt	MT.	**729,091**	**332.33**	1025315	418.13
	Lime Stone	MT.	**732941**	**142.29**	951992	181.24
	Coke	MT.	**47428**	**340.13**	77690	508.28
	Cotton & Staple Fibre	MT.	**5941**	**341.63**	6352	522.78
	Others			**171.56**		87.96
				1327.94		**1718.39**

** The Consumption of Lime Stone is net of undersize realization Rs 8.06 Million (Rs 11.07 Million) and Cotton and Staple Fiber is net of quantity sold 149.95 MT (1 MT) valued Rs6.96 Million (Rs 0.04 Million).

	For the Period Ended 31 December, 2005		For the Year Ended 31 March, 2005	
(j) Consumption of Raw Materials, Stores and Spares	**Value of Consumption**	**% AGE**	Value of Consumption	% AGE
Raw Materials:				
Imported	**56.68**	**4.27%**	34.55	2.01%
Indigenous	**1271.26**	**95.73%**	1683.84	97.99%
	1,327.94	**100%**	1,718.39	100%
Stores and Spares				
Imported	**7.59**	**7.82%**	7.27	5.86%
Indigenous	**89.47**	**92.18%**	116.71	94.14%
	97.06	**100%**	**123.98**	**100%**

27. **DETAILS OF INVESTMENTS PURCHASED & SOLD DURING THE PERIOD**

Particulars of Investment	**No. of Unit**
HDFC Cash Management Fund-Savings Plan- Growth	8013021
HDFC Floating Rate Income Fund-Short Term Plan - Growth	52565753
DSP Merrill Lynch Floating Rate Fund - Regular Plan - Growth	33517944
DSP Merrill Lynch Liquidity Fund - Regular - Growth	7188166
DSP Merrill Lynch Short Term Fund - Growth	428997
1104ING Vyasya Liquid Fund - Growth Option	17603241
1120ING Vysya Income Fund - Short Term Plan -Growth Option	1346537
1231ING Vysya Floating Rate Fund - Growth	9380100
1223 ING Vysya Domestic Opportinities Fund - Dividend	4146

FT India MONTHLY INCOME PLAN A - GROWTH	94208
Templeton Floating Rate INCOME FUND Short term Plan - GROWTH	5786288
Templeton India TRESURY MANAGEMENT ACCOUNT Regular Plan - GROWTH	7243334
UTI - Floating Rate Fund - Short Term Plan (Growth Option)	17307789
UTI - Liquid Cash Plan Institutional - Growth Option	69465
UTI - Liquid Cash Plan Regular - Growth Option	8721
RELIANCE FLOATING RATE FUND - GROWTH PLAN	3253241
RELIANCE LIQUIDITY FUND - GROWTH OPTION	27575229
RELIANCE SHORT TERM FUND - GROWTH PLAN	878315
L031 Magnum Insta Cash Fund - Cash Option	66877
B511G Birla Floating Rate Fund -Short Term - Growth	610306
B511G Birla Birla Cash Plus - Inst. - Growth	539223
C52 CHOLA Liquid Fund - Regular Cumulative	1454137
C52 CHOLA Liquid Inst. Plus Cumulative	717015
C25 CHOLA Floating Rate Fund Cumulative	4191788
C152 CHOLA Liquid Inst. Plus Cumulative	3991720

28. **Deferred Revenue Expenditure:**

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

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

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

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

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

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

f **FCCB Issue Expenses**
The expenditure incurred in raising long term borrowings is amortised over the period of the borrowings. On early buyback, conversion or repayment of borrowings, any unamortised expenditure is fully written off in that year.

29. **Intangible Assets**

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

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

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

c **Goodwill**
Goodwill is amortized over a period of five years.

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 a 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 December, 2005	For the Year Ended 31 March, 2005
31.	**Earnings per Share (EPS)**		
	Basic EPS		
	Earnings per Share has been computed as under:		
a	Profit after Taxation (Rs. in Million)	721.31	403.99
	(Less)/Add : Prior Period Adjustment	(8.12)	1.45
		713.19	405.44
b	The weighted average number of equity shares for basic EPS	95,088,411	95,088,411

c	Earnings per share (Face value of Rs 10/- per share) (a) / (b) (Basic) (9 Months)	7.50	-
	Earnings per share (Face value of Rs 10/- per share) - Annualized	10.00	4.26
	Diluted EPS		
	No. of Shares at the beginning of the year	95,088,411	95,088,411
	Add : Adjustment for Warrants convertible into Equity Shares	1,734,545	
	The weighted average number of equity shares for Diluted EPS	96,822,956	95,088,411
	Earnings Per Share (Diluted) (9 Months)	7.37	N/A
	Earnings Per Share (Diluted) (Annualized)	9.82	4.26

Since the potential number of shares to be allotted to Foreign Currency Bond holder are not known due to uncertainty about the Conversion price and the exchange rate, the same has not been considered for Diluted EPS working.

32. Sundry Creditors includes Rs 1.60 Million due to small scale industrial undertakings (Previous Year Rs. 9.70 Million) to the extent identified from the records of the company as outstanding for more than 30 days from the following parties.

Madura Polymers	0.16
White Polytex	0.02
Vetri Engineers	0.08
Packline Industries	0.08
Suruli Polymers	0.06
Ramalinga Packagings	0.22
Balaji Ind Packs	0.27
Super Paper Cones	0.19
Gowtham Paper Products	0.33
Shri Raja Paper Cone	0.19
	1.60

33. 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 on 31/12/2005	Max Balance outstading	Investmentin Shares of the Company
Colwel & Salmon Communications (India) Limited	Subsidiary	74.40	108.06	-
Colwel & Salmon Communications Inc, USA	Subsidiary	22.62	22.62	7.21
Indian Britain B.V. (Formerly known as Valdralona Investments B.V.)	Subsidiary	1,785.15	1,785.15	939.91

II.) Loans and Advances in the nature of Loans where there is no interest comprise employee loan of Rs. 8.65 (previous year Rs. 9.63 Million).

34. The company has changed its accounting year from March to December to synchronise its financial reporting with its global acquisitions through its subsidiaries.

The current period figures are for nine months as compared to twelve months of the previous year and are hence not comparable.

35. Previous year'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	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Jt. Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Jt. Managing Director
		J. P. Mehrotra Sr. General Manager - Finance & Company Secretary	N. Giridhar Sr. General Manager - Accounts
Place : New Delhi Date : 21 April, 2006		Place : New Delhi Date : 21 April, 2006	

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 December, 2005**

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue :	**NIL**	Right Issue :	**NIL**
Bonus Issue :	**NIL**	Private Placement :	**NIL**

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	**10094248**	Total Assets	**10094248**
Sources of Funds		**Application of Funds**	
Paid-up Capital	**950884**	Net Fixed Assets	**4932903**
Advance against Preferential Warrants	**29293**	Investments	**1084874**
Reserves and Surplus	**1991096**	Net Current Assets	**3908395**
Secured Loans	**2689944**	Misc. Expenditure	**168076**
Unsecured Loans	**3645530**		
Deferred Tax Liability	**787501**		

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	**4822856**	Total Expenditure	**3801976**
Profit/Loss Before Tax	**1020880**	Profit After Tax	**721,310**
Earning per Share in Rs.	**7.50**	Dividend Rate	24%
		Equity Share :	
		- Final	24%

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 Communications Inc.	Colwell & Salmon Communications (India) Ltd.	Indian Britain B.V.	Indian England N.V. #	S.G. Bega Upsom S.A. @	Melidor N.V. #	GHCL Inc. USA #
1.00	The financial period of the Subsidiary Company ended on	31st Dec., 2005	31st Dec., 2005	31st Dec., 2005	31st Dec., 2005	31st Dec., 2005	31st Dec., 2005	31st Dec., 2005
2.00	Date from which they become subsidiary Companies	12 th Dec., 2002	24 th Jan., 2003	17 Nov., 2005	18 Nov., 2005	06,Dec., 2005	27 th Dec., 2005	13 Nov., 2005
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.	2000 Equity Shares of USD 1/- Each	750000 Equity Shares of 10/- Each	174673 Equity Shares of EUR 100 Each	1 Equity Share of EUR 45380 Each	14449707 Equity Shares of RON 2.5 Each	600 Equity Shares of EUR 100 each	500000 Equity Shares of USD 0.01 Each
3.20	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%	64.75%	100.00%	100.00%
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 December, 2005	USD 487231 Rs. 20.44 Millions	(Rs 12.18 Millions)	(USD 48518) (Rs. 7.67 Millions)	(USD 110964) (Rs. 5.02 Millions)	RON 60883 Rs. 1.00 Millions	(USD 24621) (Rs. 0.97 Millions)	(USD 21567) (Rs. 0.98 Millions)
4.10.20	For the previous financial years of the subsidiary Company since it became the holding Company's subsidiary.	USD 9075 Rs. 2.19 Millions	(Rs 134.10 Millions)	N.A	N.A	N.A	N.A	N.A
4.20	Dealt with in holding company's account							
4.20.10	For the financial year ended 31st December , 2005	Nil	Nil	N.A	N.A	N.A	N.A	N.A
4.20.20	For the previous financial years of the subsidiary Company since it became the holding Company's subsidiary.	Nil	Nil	N.A	N.A	N.A	N.A	N.A
5.00	Material Changes between the end of the financial year of the Subsidiary Company and the Company's financial Statement ended 31, December 2005							
	a.) Fixed Assets	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	b.) Investments	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	c.) Money Lent	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	d.) Money borrowed other than those for meeting Current liabilities	N.A	N.A	N.A	N.A	N.A	N.A	N.A

 # Subsidiary of Indian Britain B.V

@ Subsidiary of Indian England N.V

For and on behalf of the Board

Sanjay Dalmia
Chairman

P. Sampath
Joint Managing Director

Dr. B.C. Jain
Director

R. S. Jalan
Joint Managing Director

J. P. Mehrotra
Sr. General Manager - Finance
& Company Secretary

N. Giridhar
Sr. General Manager - Accounts

Place : New Delhi
Date : 21 April, 2006

Details of Subsidiary Companies

(Rs in Millions)

S.No.	Name of Subsidiary Company	Colwell & Salmon Communication Inc	Colwell & Salmon Communication (India) Ltd	Indian Britain B.V.	Indian England N.V.	S.G Bega Upsom S.A	Melidor N.V.	GHCL INC. USA.
a	Capital	0.10	7.50	939.68	2.68	834.50	3.55	0.23
b	Reserves	2.19	(134.10)	(17.94)	(2.59)	(73.18)	(1.20)	(0.98)
c	Total Assets	78.96	149.29	2,867.62	915.24	901.32	3.55	1,810.00
d	Total Liabilities	78.96	149.29	2,867.62	915.24	901.32	3.55	1,810.00
e	Investments (Except in case of Investment in Subsidiary)	-	-	-	-	10.69	-	-
f	Turnover/ Total Income	340.66	133.45	11.24	-	1,505.78	-	0.58
g	Profit/ (Loss) before Taxation	25.18	(11.82)	(11.21)	6.81	(561.03)	(0.73)	(0.98)
h	Provision for Taxation	4.74	0.36	1.27	-	-	-	-
i	Profit /(Loss) After Taxation	20.44	(12.18)	(12.48)	6.81	(561.03)	(0.73)	(0.98)
j	Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil

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

Notes :

1.) The Company directly/indirectly owns 100% in all the Subsidiaries other than S.G. Bega Upsom S.A, in which company holds 64.75 %.

2.) The above details have been annexed in terms of letter no. 47/74/2006-CL-III dated 25.04.2006 issued by Government of India, Ministry of company affairs under section 212 (8) of the Companies Act.

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 December 2005 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 M/s. Rahul Gautam Divan & Associates, Chartered Accountants and joint auditors of the Company, reflect total assets (net) of Rs. 15.18 million as at 31st December 2005 and total revenues of Rs. 133.45 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. 978.38 million (net) as at 31st December 2005 and total revenues of Rs. 1,846.40 million for the period ended on that date. These financial statements have been audited by 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, is based solely on the reports of the other auditors.

   c) We have verified the financial statements of certain subsidiaries, whose accounts are not required to be audited under domestic law, for the purposes of compliance under section 212 of the Companies Act, 1956, which reflect total assets of Rs. 5,553.61 million as at 31 December 2005 and total revenues of Rs. 11.82 million for the period ended on that date.

   d) As stated in Note 1 (h) of Notes on Consolidated Accounts, in the case of two foreign 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.
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 regarding Change in Accounting Policy stated under Significant Accounting Policies 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 December 2005.

   (b) in case of the Consolidated Profit and Loss Account of the consolidated results of operations of the Company and its subsidiaries for the 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

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

(RAHUL DIVAN)
Partner
Membership No.100733

Place : New Delhi
Dated : 21 April, 2006

CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER, 2005

	Schedules		As at 31.12.2005 (Rs in Millions)		As at 31.03.2005 (Rs in Millions)
SOURCES OF FUNDS					
Shareholder's Funds					
Capital	1	**950.88**		950.88	
Advance against Preferential Warrants	1A	**29.30**		-	
Reserves and Surplus	2	**1,800.58**		1,340.73	
			2,780.76		2,291.61
Minority Interest			**268.27**		(5.07)
Loan Funds					
Secured Loans	3	**2,949.80**		2,127.50	
Unsecured Loans	4	**2.90**		10.18	
Unsecured - Foreign Currency Convertible Bonds	4A	**3,642.63**		-	
			6,595.33		2,137.68
Deferred Tax Liability (net)			**785.61**		793.38
Total			**10,429.97**		5,217.60
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		**9,039.30**		7,479.31	
Less : Depreciation		**4,239.05**		3,606.91	
Net Block		**4,800.25**		3,872.40	
Capital Work-in-Progress		**1,594.14**		31.01	
Advances against capital expenditure		**234.89**		25.81	
			6,629.28		3,929.22
Investments	6		**16.71**		105.09
Current Assets, Loans and Advances	7				
Inventories		**1,267.84**		943.60	
Sundry Debtors		**1,011.21**		755.82	
Cash and Bank Balances		**1,263.66**		339.11	
Loans and Advances		**2,603.17**		799.07	
		6,145.88		2,837.60	
Less : Current Liabilities and Provisions	8				
Liabilities		**2,195.76**		1,526.04	
Provisions		**334.33**		219.40	
		2,530.09		1,745.44	
Net Current Assets			**3,615.79**		1,092.16
Miscellaneous Expenditure (to the extent not written off or adjusted)					
Deferred Revenue Expenses			**168.19**		91.13
Total			**10,429.97**		5,217.60
Notes on Accounts	16				

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

As per our report attached

For and on behalf of Jayantilal Thakkar & Co. Chartered Accountants	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Jt. Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Jt. Managing Director
		J. P. Mehrotra Sr. General Manager - Finance & Company Secretary	N. Giridhar Sr. General Manager - Accounts

Place : New Delhi
Date : 21 April, 2006

Place : New Delhi
Date : 21 April, 2006

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST DECEMBER, 2005

	Schedules		For the Period Ended 31 December 2005 (Rs in Millions)		For the Year Ended 31 March 2005 (Rs in Millions)
INCOME					
Sales - Gross		**5,471.53**		5,895.50	
Less : Excise Duty & Sales tax recovered on sales		**623.99**	**4,847.54**	696.21	5,199.29
Income from Services			**406.21**		457.11
Other Income	9		**55.42**		86.78
TOTAL INCOME			**5,309.17**		5,743.18
EXPENDITURE					
Manufacturing Expenses	10		**2,534.58**		3,074.01
Purchase of Trading Goods			**207.62**		108.65
Payments to and Provisions for employees	11		**523.06**		622.81
Administrative and Miscellaneous Expenses	12		**301.24**		356.81
Selling and Distribution Expenses	13		**397.80**		513.22
Excise Duty			**10.95**		(6.99)
(Increase)/Decrease in Stock	14		**(93.93)**		14.28
SUB TOTAL			**3,881.32**		4,682.79
Profit before Financial Expenses and Depreciation			**1,427.85**		1,060.39
Financial Expenses	15		**88.64**		164.07
Profit Before Depreciation			**1,339.21**		896.32
Depreciation/ Amortisation			**307.87**		387.54
Profit Before Taxation			**1,031.34**		508.78
Provision For Taxes					
- Current Tax			**300.59**		89.22
- Fringe Benefit Tax			**9.10**		-
- Deferred Tax			**(5.05)**		119.19
Profit For The Year after Tax			**726.70**		300.37
Less:Minority Interest			**0.50**		(1.17)
Profit after Minority Interest			**726.20**		301.54
Balance brought forward from previous year			**715.53**		680.50
Prior period adjustment			**(12.01)**		3.15
Excess provision for Tax for earlier years			**1.29**		(24.10)
Excess provision for Deferred Tax for earlier years			**2.60**		22.40
Debenture Redemption Reserve written back			**55.34**		-
Amount Available For Appropriation			**1,488.95**		983.49
APPROPRIATIONS					
Balance of Minority Interest written off-(See Note (f) of Schedule 16)			**7.83**		-
Transfer to Debenture Redemption Reserve			**-**		10.71
Transfer to General Reserve			**72.18**		40.40
Proposed Dividend on Equity Shares			**228.21**		190.18
Tax on Dividend			**32.00**		26.67
Balance Carried To Balance Sheet			**1,148.73**		715.53
			1,488.95		983.49
Earnings per Share (Rupees) - Basic (9 Months)			**7.55**		N/A
Earnings per Share (Rupees) - Diluted (9 Months)			**7.42**		N/A
Earnings per Share (Rupees) - Basic (Annualized)			**10.07**		3.19
Earnings per Share (Rupees) - Diluted (Annualized)			**9.89**		3.19
(See note no 19 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 Jayantilal Thakkar & Co. Chartered Accountants	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Jt. Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Jt. Managing Director
		J. P. Mehrotra Sr. General Manager - Finance & Company Secretary	N. Giridhar Sr. General Manager - Accounts
Place : New Delhi Date : 21 April, 2006		Place : New Delhi Date : 21 April, 2006	

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST DECEMBER, 2005

	For the Period Ended 31 December 2005 (Rs in Millions)		For the Year Ended 31 March 2005 (Rs in Millions)	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and Extraordinary items		**1,031.34**		508.78
Adjustment for :				
Depreciation / Amortisation	**307.87**		387.54	
Foreign Exchange Gain (Net)	**(11.24)**		(5.39)	
Income from Investments	**-**		(0.22)	
Income From Dividend	**(0.10)**		(0.11)	
Investment written off	**0.07**		-	
Prior Period Adjustments	**(12.01)**		3.15	
(Profit)/Loss on Sales / Discarding on Fixed Assets (Net)	**0.32**		(54.30)	
Provision for Doubtful Debts / Advances (Net)	**6.58**		(0.21)	
Provision for Leave encashment	**-**		0.87	
Loss/ (Profit) on Sale of Investments (Net)	**(4.42)**		-	
Financial Expenses (Net)	**88.64**	**375.71**	164.07	495.40
Operating Profit before Working capital Changes		**1,407.05**		1,004.18
Adjustments for :				
Trade & other Receivables	**(2,083.69)**		(422.32)	
Inventories	**(324.24)**		(125.67)	
Trade payables	**943.96**	**(1,463.97)**	77.17	(470.82)
Other Adjustments				
Deferred Revenue Expenditure (to the extent not written off)		**(77.07)**		26.44
Cash Generated from Operations		**(133.99)**		559.80
Direct taxes paid		**(212.81)**		(104.21)
Net cash from (used)/ generated from Operating Activities		**(346.80)**		455.59
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		**(3,108.09)**		(729.85)
Advance for Capital Expediture		**(260.70)**		(17.75)
Sale of Fixed Assets		**344.32**		178.60
(Purchase)/ Sale of Investments		**92.72**		(95.07)
Income from Investment		**-**		0.22
Interest Received		**54.33**		5.66
Dividend Received		**0.10**		0.11
Net cash used in Investing Activities		**(2,877.32)**		(658.08)
C. CASH FLOW USED FROM FINANCING ACTIVITIES				
Proceeds from Secured loans		**1,168.83**		845.66
Advance against Preferential Warrants		**29.30**		-
Repayment of Secured Loans		**(346.48)**		(279.56)
Proceeds from Unsecured Loan		**-**		0.87
Repayment of Unsecured Loan		**(7.28)**		(27.90)
Proceeds from Foreign Currency Convertible Bonds		**3,642.63**		-
Gain on Exchange		**11.24**		5.39
Interest and Finance Charges Paid		**(140.01)**		(169.41)
Dividend and tax thereon paid		**(209.56)**		(159.48)
C. Net Cash used in Financing Activities		**4,148.67**		215.57
Net Increase in Cash and Cash Equivalents (A+B+C)		**924.55**		13.08
Cash and Cash Equivalents at beginning of period		**339.11**		326.03
Cash and Cash Equivalents at end of Period		**1,263.66**		339.11
Note : Cash and Cash Equivalents as at end of period		**1,243.98**		339.10
Effect of exchange rate changes Gain / (Loss)		**19.68**		0.01
Cash and Cash Equivalents as restated		**1,263.66**		339.11

As per our report attached

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

(C. V. Thakker)
Partner

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

(Rahul Divan)
Partner

Sanjay Dalmia
Chairman

P. Sampath
Jt. Managing Director

Dr. B.C. Jain
Director

R. S. Jalan
Jt. Managing Director

J. P. Mehrotra
Sr. General Manager - Finance & Company Secretary

N. Giridhar
Sr. General Manager - Accounts

Place : New Delhi
Date : 21 April, 2006

Place : New Delhi
Date : 21 April, 2006

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE 1 : SHARE CAPITAL

	As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
SHARE CAPITAL		
Authorised		
100,000,000 Equity Shares of Rs. 10/- each	**1,000.00**	1,000.00
25,000,000 Cumulative Redeemable Preference Shares of Rs. 10/- each	**-**	250.00
25,000,000 Unclassified Shares of Rs. 10/- each	**250.00**	-
TOTAL	**1,250.00**	1,250.00
Issued, Subscribed and Paid up		
95,088,411 Equity Shares of Rs. 10/- each fully paid up	**950.88**	950.88
TOTAL	**950.88**	950.88

Notes :

Of the above

1. 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. 2,12.50 Millions.
2. 1,838,011 Equity Shares of Rs. 10/- each are issued as fully paid (pursuant to the Scheme of Amalgamation for consideration other than cash).
3. 25,000,000 Cumulative Redeemable Preference Shares of Rs 10/- each converted into 25,000,000 Unclassified Shares of Rs 10/- each.

SCHEDULE 1A : ADVANCE AGAINST PREFERENTIAL WARRANTS

	As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
4,500,000 Preferential Equity Warrants of Rs. 65.10 each	**29.30**	-
	29.30	-

The Company has allotted 4,500,000 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 17, March 2007. The preferential issue is at Rs.65.10 per warrant (including premium of Rs 55.10 per warrant). Against this, the Company has received Rs 6.51 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 31.12.2005 (Rs in Millions)		As at 31.03.2005 (Rs in Millions)
CAPITAL RESERVE				
Cash subsidy	**2.57**		2.57	
Surplus on re-issue of forfeited shares	**1.55**		1.55	
		4.12		4.12
DEBENTURE REDEMPTION RESERVE				
As per last Balance Sheet	**192.84**		182.13	
Transfer from Profit and Loss Account	**-**		10.71	
	192.84		192.84	
Transfer to Profit and Loss Account	**55.34**		-	
		137.50		192.84
CAPITAL REDEMPTION RESERVE				
As per last Balance Sheet		**100.00**		100.00
INVESTMENT ALLOWANCE RESERVE				
As per last Balance Sheet		**108.60**		108.60
GENERAL RESERVE				
As per last Balance Sheet	**219.64**		179.24	
Transfer from Profit and Loss Account	**72.18**		40.40	
		291.82		219.64
FOREIGN CURRENCY TRANSALATION RESERVE		**9.81**		-
PROFIT AND LOSS ACCOUNT				
Balance as per account annexed		**1,148.73**		715.53
TOTAL		**1,800.58**		1,340.73

SCHEDULE 3 : SECURED LOANS

	As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
DEBENTURES		
10.25% Non Convertible Debentures	**-**	150.00
10.00% Non Convertible Debentures	**183.33**	275.00
FROM BANK / FINANCIAL INSTITUTIONS		
Working Capital Loans	**697.72**	543.34
Foreign Currency Loan	**352.91**	442.91
Rupee Term Loan	**1,715.84**	716.25
TOTAL	**2,949.80**	2,127.50

Notes:

1) 10% Non-Convertible Debentures privately placed with Financial Institution are to be redeemed at par in three equal installments at the end of 5th, 6th and 7th year from the date of allotment i.e.28th April 2000, 25th August 2000 and 6th November 2000 and are secured by registered mortgage in favour of the Trustees on immovable properties of Soda Ash division situated at Village Sutrapada, 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 97.75 Million has been secured by first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at (1) Village Sutrapada and Kadwar,Veraval in Gujarat (2) Noida in U.P (3) Ahmedabad properties and hypothecation of specified movable assets of Soda Ash Division both present and future.

b.) Loan aggregating to Rs 35 Million has been secured by first charge on moveable fixed assets of ITES Division both present and future.

c.) Loan aggregating to Rs 167.69 Million has been secured by first charge by way of equitable mortgage on the specified immovable properties of Soda Ash Division at village Sutrapada, Veraval in Gujarat and hypothecation of specified movable assets of Soda Ash Division both present and future.

d.) Term Loan from HSBC Rs 36.2 Million for the foreign subsidiary company is secured by way of exclusive first charge by way of hypothecation in favour of HSBC Bank over moveable fixed assets, both present and future of the foreign subsidiary guaranteed by the holding company.

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

a.) Loan aggregating to Rs 421.40 Million has been secured by first charge by way of equitable mortgage on core assets of textile division situated at Paravai and Manaparai, Tamil Nadu and hypothecation of specified movable assets both present and future of the company's Textile Division. The said loan is availed under Technology Upgradation Fund Scheme for Textile.

b.) Loan aggregating to Rs 677.89 Million has been secured by first charge by way of equitable mortgage on fixed assets of the proposed 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.) Rupee Term Loan of Rs 120 Million has been secured by an exclusive first charge on all present movable assets of Edible Salt division situated at Thiruporur and Vedaranyam and Industrial Salt Division.

d.) Loan aggregating to Rs 123.33 Million has been 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.

e.) Loan aggregating to Rs 173.22 Million has been 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.

f) Loan aggregating to Rs 50.00 Million has been secured by way of first pari passu charge on movable fixed assets of Soda Ash Division situated at Village Sutrapada, Veraval in Gujarat.

g.) Loan aggregating to Rs 150.00 Miliion has been 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.

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

(b) Working Capital Loans for the foreign subsidisry company is secured by way of exclusive first charge by way of equitable mortgage on the specified immovable properties situated at Ocna Mures, Alba county, Romania and assignment of receivables on future revenues.

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 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
Fixed Deposits	**-**	0.34
Other Loans and Advances :		
Interest free Sales Tax loan	**2.90**	4.35
Others	**-**	5.49
Total	**2.90**	10.18

SCHEDULE 4 A : UNSECURED FOREIGN CURRENCY CONVERTIBLE BONDS

	As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
Foreign Currency Convertible Bonds	**3,642.63**	-
Total	**3,642.63**	-

During the period, 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 will be fixed in September 2006 based on a price mechanism plus a premium of 10%. Such conversion option is exercisable between 21 September 2006 and 21 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.

SCHEDULE 5 : FIXED ASSETS

(Rs in Millions)

PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2005	Assets of Subsidiaries	Additions (Deletions)	As at 31.12.2005	As at 01.04.2005	Accumulated Depreciation of Subsidiaries	Additions (Deletions)	As at 31.12.2005	As at 31.12.2005	As at 31.03.2005
TANGIBLE ASSETS										
Leasehold Land	60.07	-	-	60.07	7.62	-	0.14	7.76	52.31	52.45
Freehold Land	294.07	46.01	11.74 (0.09)	351.73	-	-	-	-	351.73	294.07
Buildings	849.73	177.31	27.17 (7.81)	1,046.40	205.27	49.31	18.11 (1.23)	271.46	774.94	644.46
Plant and Machinery	5,245.26	510.66	156.92 (1.72)	5,911.12	3,141.59	278.45	232.23 (0.51)	3,651.76	2,259.36	2,103.67
Furniture and Fixtures	71.90	-	4.54 (0.04)	76.40	31.29	-	3.34 (0.03)	34.60	41.80	40.61
Office Equipments	125.02	2.03	9.69 (0.37)	136.37	69.57	1.13	7.07 (0.23)	77.54	58.83	55.45
Vehicles	29.55	-	5.86 (1.32)	34.09	12.01	-	2.31 (0.99)	13.33	20.76	17.54
Wind Turbine Generators	408.21	-	- (3.91)	404.30	4.86	-	15.96	20.82	383.48	403.35
Leased Mines	133.98	-	64.21 -	198.19	7.15	-	11.95	19.10	179.09	126.83
INTANGIBLE ASSETS										
Goodwill	136.70	495.35	4.45 -	636.50	69.61	0.14	4.42 -	74.17	562.33	67.09
Salt Works Reservoirs and Pans	114.23	-	63.89 (5.11)	173.01	51.49	-	11.52 (2.08)	60.93	112.08	62.74
Software	10.59	-	0.53 -	11.12	6.45	-	1.13	7.58	3.54	4.14
Total	**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**	**3,872.40**
Previous Year	6,791.54	-	817.20 (129.42)	7,479.31	3,224.41	-	387.63 (5.13)	3,606.91	3,872.40	-

1. Building include a sum of Rs. 9.14 Million (Previous Year Rs 9.14 Million) being cost of office premises acquired on ownership basis.
2. Pending transfer of lease rights / extension of lease of salt fields at Vedranium (Tamil Nadu) the advance of Rs 45.00 Million paid has been apportioned to various assets as per the valuation report. (See note 4 Schedule 16)
3. Leased mines represent expenditure incurred on development of mines.
4. Current Period Depreciation includes Rs 0.31 Million (Previous Year Rs 0.09 Million) included in pre-operative expenses.
5. Assets and accumulated depreciation of subsidiaries relates to S.G.Bega Upsom SA Romania GHCL INC USA Indian Britain B.V. Netherland, India England N.V. Netherlands and Indian Wales N.V.Netherlands which have become subsidiaries of the company during the year.

SCHEDULE 6 : INVESTMENTS

		As at 31.12.2005 (Rs in Millions)		As at 31.03.2005 (Rs in Millions)
LONG TERM INVESTMENTS (AT COST)				
OTHER THAN TRADE				
Quoted				
16300 Equity shares of IDBI Bank Limited. of Rs. 10/- each fully paid up	-		0.29	
8300 Equity shares of HDFC Bank Limited of Rs. 10/- each fully paid up	0.08		0.08	
68598 Equity shares of IDBI Limited of Rs. 10/- each fully paid up	4.93		4.64	
(11478 shares issued in Lieu of 16300 shares in erstwhile IDBI Bank Limited) 2595 Equity shares of Dena Bank of Rs. 10/- each fully paid up	0.07		0.07	
#1860 Equity shares of Gnanambigai Mills Limited of Rs. 10/- each fully paid up	-		0.02	
4500 Equity shares of Canara Bank of Rs. 10/- each fully paid up	0.16	5.24	0.16	5.26
Unquoted				
Govt securities - 7 year National Savings Certificates (Pledged with Government Authorities)	0.78		0.78	
# Nil (P.Y.10) Equity Shares of Rs 10/- each fully paid up of Shree Uma Parameswary Mills (Rs 100/-)	-			
# Nil (P.Y.10) Equity Shares of Rs 10/- each fully paid up of Kodaikanal Co-operative Stores Ltd (Rs 100/-)	-			
# Nil (P.Y.50) Equity shares of Rs. 20/- each fully paid up of Pudukottai Central Co op Supply & Marketing Society Limited. (Rs 1000/-)	-			
# Nil (P.Y.10) Equity shares of Rs. 10/- each fully paid up of Pandian Co op Super Market Limited. (Rs. 100/-)	-			
# Nil (P.Y. 5000) Equity Shares of Rs 10/- each fully paid up of GHCL Co-operative Society Limited.	-	0.78	0.05	0.83
CURRENT INVESTMENTS-(UNQUOTED)				
(Sold during the Period)				
Nil (Previous Year 3097301) Units of DSML Floating Rate Fund	-		34.00	
Nil (Previous Year 458354 Units) of Birla Floating Rate Fund Growth	-		5.00	
Nil (Previous Year 1856229) Units of Reliance Treasury Plan Institutional Plan	-		30.00	
Nil (Previous Year 2926059) Units of Ing Vysya Floating Rate Fund Growth	-		30.00	
Romanian Bank	0.08		-	
.0001% Shares of Romextera Bank Tg Mures	0.14		-	
3.987% Shares of Bega Invest SA Timisoara	10.47	10.69	-	99.00
		16.71		105.09

	As at 31.12.2005		As at 31.03.2005	
	Book Value	Market Value	Book Value	Market Value
Quoted	5.24	13.70	5.26	11.75
Others	11.47		99.83	
	16.71		105.09	

Investment written off during the year.
Figures of Rs. 5000 or less have been shown at actuals in brackets.

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

		As at 31.12.2005 (Rs in Millions)		As at 31.03.2005 (Rs in Millions)
CURRENT ASSETS				
Inventory (as taken, valued and certified by the Management)				
At cost or net realisable value which ever is lower				
Raw materials		**634.02**		585.01
Finished goods		**297.05**		101.33
Stock in process		**56.67**		58.48
Stores and spares		**280.10**		198.78
Total		**1,267.84**		943.60
Sundry Debtors (Unsecured, considered good unless stated otherwise)				
Outstanding over six months				
Considered good	**7.78**		6.92	
Considered doubtful	**69.95**		3.90	
Provision for Doubtful Debts	**(69.95)**		(3.90)	
		7.78		6.92
Other debts		**1,003.43**		748.90
Total		**1,011.21**		755.82
Cash & Bank Balances				
Cash balance on hand		**2.06**		2.20
Current Account with Banks				
- Scheduled Banks		**166.38**		115.85
- Other Current Accounts with other than Scheduled Banks		**238.89**		-
Fixed deposit				
- Scheduled Banks (Pledged with Govt Authorities/ Banks-Rs 7.66 Million (Previous Year Rs 6.5 Million))		**62.95**		60.23
- Deustche Bank Singapore AG (maximum balance Rs 3510.80 Million)		**684.41**		-
In Margin Account		**4.83**		39.21
Remittances in transit		**104.14**		121.62
Total		**1,263.66**		339.11
LOANS AND ADVANCES				
(Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received				
- Considered Good	**2,511.31**		730.31	
- Considered Doubtful	**-**		1.70	
Less : Provision for Doubtful Advances	**-**		(1.70)	
		2,511.31		730.31
Interest Accrued on Investments		**0.58**		0.48
Balances with Customs, Port Trust, Central excise etc.,		**90.68**		42.04
Income Tax paid/Tax Deducted at Source (net of provisions)		**-**		24.14
Fixed Deposits with Sardar Sarover Narmada Nigam Ltd. (Pledged with the Govt Authorities Rs 0.60 Million- (Previous Year Rs 0. 60 Million))		**0.60**		2.10
Total		**2,603.17**		799.07

SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS

	As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
CURRENT LIABILITIES		
Sundry Creditors for Goods and Expenses	**1,118.58**	548.39
Sundry Creditors for Capital Expenditure	**135.14**	151.36
Sundry Creditors-Small Scale Industrial Undertakings	**1.60**	9.71
Advances from Customers	**39.05**	55.18
Trade Deposits from Dealers	**11.18**	11.08
* Investor Education & Protection Fund shall be credited by		
- Unclaimed Dividend	**31.03**	23.74
- Unclaimed Fixed Deposits	**1.13**	1.43
- Interest Accrued on Unclaimed Fixed Deposits	**0.30**	0.77
Other liabilities	**853.61**	723.20
Interest accrued but not due	**4.14**	1.18
Total	**2,195.76**	1,526.04
PROVISIONS		
Wealth Tax	**2.55**	2.55
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	**228.21**	190.18
Tax on Dividend	**32.00**	26.67
Total	**334.33**	219.40

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

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

SCHEDULE 9 : OTHER INCOME

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Dividend Income	**0.10**	0.11
Interest on Income Tax Refund	**2.28**	-
Gain on Exchange (Net)	**11.24**	5.39
Profit on sale of assets (Net)	**-**	54.31
Profit on sale of Investment (Net)	**4.42**	4.63
Bad debts recovered	**-**	0.70
Sundry Credit Balances Written back (Net)	**16.42**	1.57
Rent Income	**6.37**	6.65
(Tax Deducted at Source Rs. 1.2 Million, (Previous year 1.38 Million))		
Provision for Doubtful Debts written back	**-**	0.38
Miscellaneous Income	**14.59**	13.04
Total	**55.42**	86.78

SCHEDULE 10 : MANUFACTURING EXPENSES

		For the Period Ended 31 December 2005 (Rs in Millions)		For the Year Ended 31 March 2005 (Rs in Millions)
Raw Materials Consumed		**1,360.26**		1,718.38
Stores and Spares		**104.41**		123.98
Repairs and Maintenance				
Machinery	**56.81**		60.36	
Building	**1.80**		3.29	
Others	**9.43**		8.55	
		68.04		72.20
Power, Fuel and Water		**631.39**		750.72
Other Manufacturing Expenses		**211.16**		147.16
Packing Expenses		**98.65**		136.20
Operating Expenses for Services		**60.67**		125.37
Total		**2,534.58**		3,074.01

SCHEDULE 11 : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Salaries, Wages and Bonus	**438.98**	519.42
Contribution to PF and other funds	**59.20**	79.30
Staff Welfare	**24.88**	24.09
Total	**523.06**	622.81

SCHEDULE 12 : ADMINISTRATIVE AND MISCELLANEOUS EXPENSES

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Travelling & Conveyance	**53.82**	56.74
Rent and Lease Rent	**32.10**	40.24
Rates and Taxes	**9.41**	5.63
Insurance	**24.45**	40.01
Commission to Directors	**37.71**	16.87
Communication Expenses	**15.34**	17.46
Legal & Professional Expenses	**55.99**	67.01
Miscellaneous Expenses	**42.55**	67.93
Deferred Revenue Expenditure Written Off	**17.96**	41.87
Sundry Balances Written Off (Net)	**-**	0.63
Donation	**2.65**	1.76
Bad Debts / Irrecoverable amounts written off (Net)	**2.29**	0.49
Provision for doubtful debts/advances (Net)	**6.58**	0.17
Investment written off	**0.07**	-
Deficit on Sales/ Discarding of Fixed Assets (Net)	**0.32**	-
Total	**301.24**	356.81

SCHEDULE 13 : SELLING AND DISTRIBUTION EXPENSES

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Cash Discount	**29.93**	36.69
Freight and Forwarding	**207.33**	277.46
Commission on Sales	**159.44**	195.17
Rent on Godowns	**1.10**	3.90
Total	**397.80**	513.22

SCHEDULE 14 : (INCREASE) / DECREASE IN STOCK

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Opening stock		
Finished Goods	**201.32**	147.70
Trading Goods	**-**	0.09
Stock in Process	**58.48**	26.30
	259.80	174.09
Closing stock		
Finished Goods	**297.05**	101.33
Trading Goods	**0.01**	-
Stock in Process	**56.67**	58.48
	353.73	159.81
(Increase)/Decrease in Stock	**(93.93)**	14.28

SCHEDULE 15 : FINANCIAL EXPENSES

	For the Period Ended 31 December 2005 (Rs in Millions)	For the Year Ended 31 March 2005 (Rs in Millions)
Interest - Fixed Loans	**74.16**	90.10
- Others	**31.72**	24.63
Other financial Charges	**37.09**	55.00
	142.97	169.73
Less : Interest Income others	**54.33**	5.66
Total	**88.64**	164.07

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, 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:

		% OF HOLDING			
NAME OF THE COMPANY	**COUNTRY OF INCORPORATION**	**As on 31-12-2005**	**As on 31-03-2005**	**Held By**	**New subsidiary effective from**
Colwel & Salmon Communications (India) Limited	INDIA	100.00	100.00	GHCL Ltd	N.A.
Colwel & Salmon Communications Inc, USA	USA	100.00	83.33	GHCL Ltd	N.A.
Indian Britain B.V.Netherlands (Formerly known as Valdralona Investments B.V.)	Netherlands	100.00	NIL	GHCL Ltd	17/11/2005
Indian England N.V. Netherlands (Formerly known as Centraal Europese Petrochemische Ontwikkelings Maatschappij, N.V.)	Netherlands	100.00	NIL	Indian Britain B.V.	18/11/2005
Melidor N.V. Netherlands	Netherlands	100.00	NIL	Indian Britain B.V.	27/12/2005
GHCL Inc. USA.	USA	100.00	NIL	Indian Britain B.V.	13/11/2005
S.G Bega Upsom S.A Romania	Romania	64.75	NIL	Indian England N.V.	06/12/2005

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

e The excess of costs to the Company of its 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 tranches 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.

f Minority interest in the net assets of the Subsidiary consists of the amount of equity attributable to the minority shareholders at the date on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the date of investments, profit or loss attributable to their equity.Minority interest amounting to Rs 7.83 million relating to one subsidiary which was accounted for in previous year has been written off during the period since it has become wholly owned subsidiary.

g Revenue and expenses are translated into Indian Rupee at average rate for the year. 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. Any exchange difference arising on consolidation is recognised in the Foreign Currency Translation Reserve.

h In the case of two subsidiaries, incorporated in Netherland 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 preperation of consolidated financial statements under the prevailing local legislation.

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

1. The Parent and the subsidiaries write off Intangible Assets over different number of year and also provide depreciation at / by different rate basis on Tangible Assets.
2. The Parent and the subsidiaries follow their local Guidelines for accounting the leases.
3. One subsidiary has revalued its Tangible Assets prior to becoming a Group company as per the requirements of its local legislation. The corrosponding revalutaion reserve is eliminated on consolidation.
4. Foreign subsidiary companies recognise tax liabilities and assets in accordance with the applicable local legislations.

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

2 **SIGNIFICANT ACCOUNTING POLICIES**

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, sales tax and export benefits under DFRC Scheme.

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

Fixed Assets and Depreciation

Fixed Assets are stated at cost net of cenvat less depreciation and impairment loss, if any. Depreciation is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Continuous process plant as defined therein have been taken on technical assessment and depreciation is provided accordingly. Assets acquired during the year whose cost does not exceed Rs. 5000 are fully depreciated in the year of acquisition. Depreciation is adjusted in subsequent periods to allocate the 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 mine or lease period, which ever is lower.

Impairment of Assets

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price or its value in use. Value in use is the present value of estimated future cashflow expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset 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 & excise duty.

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

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

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

Foreign Currency Transactions

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 has been 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.

Retirement Benefits

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

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

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

Deferred Revenue Expenditure

In terms of the Accounting Standard 26 - Intangible Assets 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, on such items which do not meet the definition of Intangible Assets as per the said Standard are charged off to the Profit & Loss Account except VRS expenditure which is amortized as per the existing Accounting Policy.

Intangible Assets

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

On amalgamation the excess of consideration over the value of net assets acquired is treated as goodwill arising on amalgamation and is written off over a period of 5 years. On acquistion, the excess of consideration over the value of the net assets acquired is treated as goodwill arising out of consolidation. Goodwil arising out of consolidation is not amortised.

Borrowing Cost

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

Leases

Leases entered into before 1st April 2001 are treated as operating leases and lease rental paid are charged to Profit and Loss Account. Leases entered into on or after 1st April, 2001 are accounted in accordance with 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, 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.

Changes in the Accounting Policy

Goodwill arising out of consolidation which was hitherto being amortised over a period of five years is no longer amortised. Had there been no change in the policy, the profit for the period before tax would have been lower by Rs. 29.74 Million.

Foreign Exchange differences arising out of consolidation which were hitherto dealt with in the Profit and Loss Account are now directly recognised in the Foreign Currency Translation Reserve.Had there been no change in the policy, the profit for the period before tax would have been higher by Rs. 9.81 Million.

		As at 31.12.2005 (Rs in Millions)	As at 31.03.2005 (Rs in Millions)
B	**NOTES**		
3	(a) Estimated value of contracts remaining to be executed on Capital Account and not provided for.	1316.73	367.41
	(b) Contingent Liabilities:		
	(i) Guarantees issued by banks	36.43	45.77
	(ii) Letters of Credit	549.08	124.77
	(iii) Bills discounted with banks (Since realised)	39.98	30.63
	(iv) Claims against the Company not acknowledged as debts		
	- Income Tax and Wealth Tax	27.67	5.40
	- Sales Tax	12.05	147.67
	- Excise matters	3.55	5.85
	- Other claims	51.10	50.77
	(v) Corporate guarantee & Standby Letters of Credit to Bank on behalf of subsidiaries of the company	107.48	106.38

(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	1416.94	5.03

4 An amount of Rs 45.0 Million paid as an advance to DCW Ltd towards purchase of salt fields at Vedaranyam (Tamil Nadu), was and 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. Necessary adjustment, if required, in the books shall be carried out once the arbitration order is received.

5 Provision for taxation includes Rs.0.30 Million (Previous year Rs. 0.30 Million) for Wealth Tax.

6 i) Fixed Deposits due within one year is Nil (Previous year Rs 0.34 Million).

ii) Interest Free Sales Tax Loan Rs. 1.48 Million (Previous Year Rs.1.45 Million) is due within one year.

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

8 Provision for doubful debts has been made for Rs 7.6 Million for balance receivable from Product Direct Limited due to an unfavorable decree issued. The sundry debtors balance shall be written off after appropriate approval from Reserve Bank of India is granted.

9 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 Date for lease arrangements amount to:-

		(Rs in Millions)
	Receivable	Payable
due within one year	7.91	6.85
due within the following four years	2.71	8.49
due after five years	Nil	Nil

10 Borrowing costs capitalized during the year Rs.8.26 Million (Previous year Rs.5.54 Million)

11 The value of Finished Goods includes excise duty not paid Rs.7.92Million (Pervious year Rs.2.63 Million). This has however, no impact on the profit for the year. The value of Lignite at mines includes royalty of Rs0.84 Million (Previous year 0.84 Million) on the closing stock.

12 Provision for tax for the period is based on taxable profits of the relevant period and after considering actual additions to Fixed Assets till date. As far as annual deductions are concerned such as depreciation the same has been taken proportionately. The ultimate tax liability can be determined on the basis of taxable income of the Fiscal Year ending 31st March 2006

13 **Segment**

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

	Inorganic Chemicals		Textiles		Others		Total	
	April 05-Dec 05	2004-05	April 05-Dec 05	2004-05	April 05-Dec 05	2004-05	April 05-Dec 05	2004-05
SEGMENT REVENUE								
External Revenue	3,700.09	4,169.03	1,147.46	1,030.26	406.20	457.11	**5,253.75**	**5,656.40**
Less : Inter Segment Revenue								
Total Revenue	**3,700.09**	**4,169.03**	**1,147.46**	**1,030.26**	**406.20**	**457.11**	**5,253.75**	**5,656.40**
SEGMENT RESULT	**991.95**	**697.68**	**142.88**	**63.20**	**4.12**	**(131.66)**	**1,138.95**	**629.22**
Unallocated Corporate Expenses.							**74.39**	**43.15**
Operating Profit	**991.95**	**697.68**	**142.88**	**63.20**	**4.12**	**(131.66)**	**1,064.56**	**586.07**
Interest Expenses							**88.64**	**164.07**
Interest Income								
Other Income	39.00	16.16	13.37	58.52	(2.05)	6.25	**50.32**	**80.93**
Unallocated Corporate Other Income							**5.10**	**5.85**
Total Other Income	**39.00**	**16.16**	**13.37**	**58.52**	**(2.05)**	**6.25**	**55.42**	**86.78**
Profit from Ordinary Activities	1,030.95	713.84	156.25	121.72	2.07	(125.41)	**1,031.34**	**508.78**
Extraordinary Items								
NET PROFIT BEFORE TAXES	**1,030.95**	**713.84**	**156.25**	**121.72**	**2.07**	**(125.41)**	**1,031.34**	**508.78**
OTHER INFORMATION								
Segment Assets	6,131.98	4,322.21	3,303.93	2,112.98	655.50	202.91	**10,091.41**	**6,638.10**
Unallocated Corporate. Assets							**2,700.45**	**233.81**
Total Assets	**6,131.98**	**4,322.21**	**3,303.93**	**2,112.98**	**655.50**	**202.91**	**12,791.86**	**6,871.91**
Segment Liabilities	2,443.75	1,577.16	327.17	399.69	122.58	92.53	**2,893.50**	**2,069.38**
Unallocated Corporate. Liabilities							**7,285.81**	**2,607.12**
Total Liabilities	**2,443.75**	**1,577.16**	**327.17**	**399.69**	**122.58**	**92.53**	**10,179.31**	**4,676.50**
Capital Expenditure	896.03	250.25	173.06	538.15	7.86	25.06	**1,076.95**	**813.46**
Unallocated Capital Expenditure							**503.41**	**3.74**
Total Capital Expenditure	**896.03**	**250.25**	**173.06**	**538.15**	**7.86**	**25.06**	**1,580.36**	**817.20**
Depreciation	237.44	292.58	50.30	45.62	16.11	43.73	**303.85**	**381.93**
Unallocated Depreciation							**4.02**	**5.61**
Total Depreciation	**237.44**	**292.58**	**50.30**	**45.62**	**16.11**	**43.73**	**307.87**	**387.54**
Non-Cash Expenses other than Depreciation	2.56	16.47	7.78	11.36	5.42	7.18	**15.76**	**35.01**
Unallocated Non Cash Expenses other than Depreciation							**2.20**	**6.86**
Total Non Cash Expenses other than Depreciation	**2.56**	**16.47**	**7.78**	**11.36**	**5.42**	**7.18**	**17.96**	**41.87**

GEOGRAPHICAL SEGMENT

Particulars	India		Rest of The World		Total	
	April 05-Dec 05	2004-05	April 05-Dec 05	2004-05	April 05-Dec 05	2004-05
Segment Revenue	3,713.21	4,272.26	1,540.54	1,384.14	**5,253.75**	**5,656.40**
Carrying Costs of Segment Assets	4,937.40	3,898.05	1,691.88	31.17	**6,629.28**	**3,929.22**
Additions to Fixed Assets and Intangible Assets	342.48	809.98	1,237.88	7.22	**1,580.36**	**817.20**

14 **Related Party Transactions:**

a Key Management Personnel:
P. Sampath, Joint Managing Director
R. S. Jalan, Joint Managing Director
Tej Malhotra, Sr. Executive Director - Operations
N. S. Ramachandran, Executive Director - Marketing Till 04/05/2005

b Relative of Key Management Personnel:
Vidyavati Malhotra, M/o Tej Malhotra

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

(Rs in Millions)

Sl. No	Type of Transactions	Key Management Personnel	Relative of Key Management Personnel
1	Purchase or Sale of Fixed Assets	-	
		(0.08)	
2	Leasing & Hire purchase transactions	0.10	0.09
		(0.13)	(0.12)
3	Remuneration	35.95	
		(22.18)	
4	Balances as on 31st December, 2005		
	- Investments		
	- Advances for Rental Accommodation	0.02	0.02
		(0.02)	(0.02)

Figures in brackets relate to year ended 31st March, 2005

15. **Deferred Tax**

(Rs in Millions)

		As at 01.04.2005	Current Period Charge/(Credit)	As at 31.12.2005
a)	Deferred tax liability on account of:			
	i) Depreciation	749.24	(66.11)	683.13
	ii) Others			
	Deferred Revenue Expenditure	60.33	53.16	113.49
		809.57	**(12.95)**	**796.62**
b)	Deferred tax assets on account of:			
	i) Employee Benefit	3.98	(1.35)	2.63
	ii) State & Central Taxes & Cess	5.72	0.77	6.49
	iii) U/S 481 of USA	6.49	(4.60)	1.89
		16.19	**(5.18)**	**11.01**
TOTAL		**793.38**	**(7.77)**	**785.61**

Current period charge/(credit) includes Rs. 2.60 Million on account of priod period adjustment and Rs. 0.12 Million and exchange difference.

		For the Priod Ended 31 December, 2005 (Rs in Millions)	For the Year Ended 31 March, 2005 (Rs in Millions)
16.	Managerial Remuneration (Holding Company)		
(a)	Wholetime Directors		
	Salaries	**4.75**	7.24
	Contribution to Provident and Superannuation funds	**0.90**	1.33
	Perquisites	**1.33**	1.96
	Gratuity & Leave encashment	**0.16**	0.24
	Commission	**28.80**	11.40
(b)	Other Directors		
	Sitting Fees	**0.36**	0.38
	Commission	**8.91**	5.47
		45.21	28.02

17. **Deferred Revenue Expenditure:**

Deferred Revenue Expenditure comprises of carrying amount as per the 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 **Infrastructure and others**

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

e **Prepayment Premium**

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

f **FCCB Issue Expenses**

The expenditure incurred in raising long term borrowings is amortised over the period of the borrowings. On early buyback, conversion or repayment of borrowings, any unamortised expenditure is fully written off in that year.

18 **Intangible Assets**

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

a **Salt Pans**

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

b **Software**

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

c **Goodwill**

Goodwill is amortised over period of five years except goodwill arising out of consolidation. See Note No. 1 e.

19 **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 a valuation). Based on such review, management is of the view that in the current financial year impairment of assets is not considered necessary.

20 **Earnings per Share (EPS)**

		For the Priod Ended 31 December, 2005	For the Year Ended 31 March, 2005
	Earnings per Share has been computed as under:		
a	Profit after Taxation & Minority Interest (Rs. in Million)	**726.20**	301.54
	(Less)/ Add : Prior Period Adjustment	**(8.12)**	1.45
		718.08	302.99
b	The weighted average number of equity shares for basic EPS	**95,088,411**	95,088,411
c	Earnings per share (Face value of Rs 10/- per share) (a) / (b) (Basic) (9 Months)	**7.55**	-
	Earnings per share (Face value of Rs 10/- per share) - Annualized	**10.07**	3.19
	Diluted EPS		
	No. of Shares at the beginning of the year	**95,088,411**	95,088,411
	Add : Adjustment for Warrants convertible into Equity Shares	**1,734,545**	
	The weighted average number of equity shares for Diluted EPS	**96,822,956**	95,088,411
	Earnings Per Share (Diluted) (9 Months)	**7.42**	NA
	Earnings Per Share (Diluted) (Annualized)	**9.89**	3.19

Since the potential number of shares to be allotted to Foreign Currency Bond holder are not known due to uncertainty about the Conversion price and the exchange rate, the same has not been considered for Diluted EPS working.

21 Previous year'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	For and on behalf of Rahul Gautam Divan & Associates Chartered Accountants	Sanjay Dalmia Chairman	P. Sampath Jt. Managing Director
(C. V. Thakker) Partner	(Rahul Divan) Partner	Dr. B.C. Jain Director	R. S. Jalan Jt. Managing Director
		J. P. Mehrotra Sr. General Manager - Finance & Company Secretary	N. Giridhar Sr. General Manager - Accounts

Place : New Delhi
Date : 21 April, 2006

Place : New Delhi
Date : 21 April, 2006

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

ATTENDANCE SLIP

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

SIGNATURE OF THE ATTENDING MEMBER / PROXY

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

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

PROXY FORM

I/We .... of ....
.... in the district of.. being a Member/Members of the above named Company, hereby appoint .... of .... in the District of .... or failing him .... of .... in the District of .... as my/our Proxy to attend and vote for me/us and on my/our behalf at the Twenty Third Annual General Meeting of the Company, to be held on Monday, the June 19, 2006 and at any adjournment thereof.

Signed this .... day of 2006

Reference Folio:/DPID/CL.ID

Signature

Affix
Re. 1
Revenue
stamp

No. of Shares: ....

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

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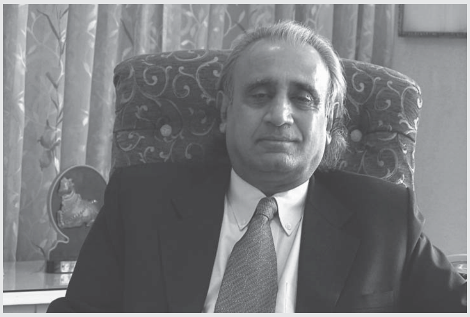
CHAIRMAN'S STATEMENT 2005



Action To Grow

Great Business

Producing Strong Results

The year 2005 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.

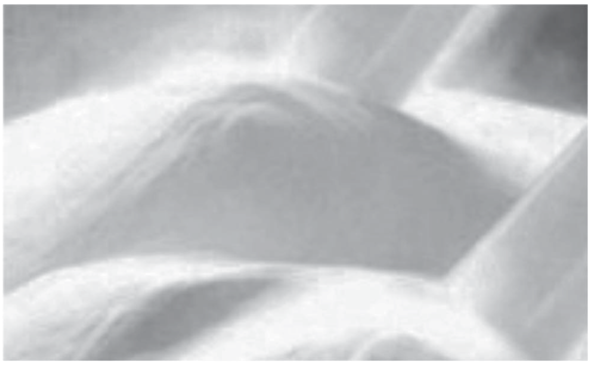
Your company made excellent progress in the execution of its planned strategies for growth, operational excellence, financial performance and transformation. I am pleased that the market has recognised this and has shown confidence in GHCL and its vision for the future.

Throughout the financial year, GHCL maintained its strength in its traditional areas of soda ash, while achieving significant breakthroughs in growing sectors like Textiles and ITES.

Financials and acquisitions

The financial performance of the company has been robust, with strong profitability being maintained in most of our operations. In particular, the past year saw investment by GHCL in a number of acquisitions. These include acquisition of S.C. Bega Upsom S.A.- a leading soda ash manufacturer in Romania and in the textiles segment the company acquired Dan River, Inc., third largest US Home Textiles Company. The company has financed these acquisitions through the recently made FCCB issue of US$ 80.5 Million

Soda Ash



VISION

"To attain a leading position in the global soda ash business by reaching a global capacity of 5-6 million tones within 2 years with presence in all the strategic soda ash locations."

In our endeavor to attain a leading position in the global soda ash business by effectively replicating the Indian success to other geographic locations, GHCL has devised a strategy based on INORGANIC & ORGANIC growth.

In the soda ash as we are already addressing the growing Indian & Asian markets through our organic expansion plans, the company has now expanded into EU for attaining the Global Footprint through the acquisition of a majority stake in S.C. Bega Upsom

S.A.- a leading soda ash manufacturer in Romania. The Compnay has also entered into a definitive agreement with the only other Soda Ash Plant in Romania.

The total combined soda ash capacity within E.U. post will be 7,00,000 MTPA. The company is already implementing its project for increase in soda ash capacity from 6,00,000 MTPA to 11,00,000 MTPA in Its Indian plant at Gujarat, achieving the leadership position in the domestic soda ash market, with 2,00,000 MTPA capacity to be added immediately followed by the balance capacity of 3,00,000 MTPA thereafter. Upon completion of the expansions, GHCL's Global Capacity would be 18,00,000 MTPA.

Textiles

VISION

"To attain a leadership status in the global home textiles markets with revenues of $4 billion ($3 bn in usa & $1 bn with in e.u.) through a dynamic integration model of market & supply, presence from raw material to retailing within 2 years."

In the textiles segment the company acquired Dan River, Inc., third largest US Home Textiles Company. This acquisition has provided us with an ideal opportunity to leverage Dan River's global platform and a renowned global brand in order to make GHCL one of the dominant player in the Home textile space globally. It would be ideal combination of low cost strong manufacturing base with a large established marketing platform to put us on the fast track growth.

GHCL in India is already in the process of expanding its capacity in spinning from 85000 spindles to 140000 spindles over the next 24 Months. The company has completed the state-of-art home textile manufacturing facility at Vapi at a cost of Rs.230 crores.

Vapi is likely to generate US $ 100Mn in revenues. Post this expansion GHCL would become first company in India to have integrated production facilities from spinning, weaving, finishing to making up and would rank amongst top 3 players in India in the fast growing Home Textiles segment.

In addition, we have established several valuable partnerships to extend our service capabilities and retain our key differentiation in terms of customer service and operational efficiency.

As a result, we are now well positioned to take full advantage of a large number of opportunities that have arisen in the past year.

The economic environment

The Indian economic environment remained favorable during the period under review, with low inflation, strong local 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. However, the strength of the rupee has put pressure on some of our export businesses. 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.

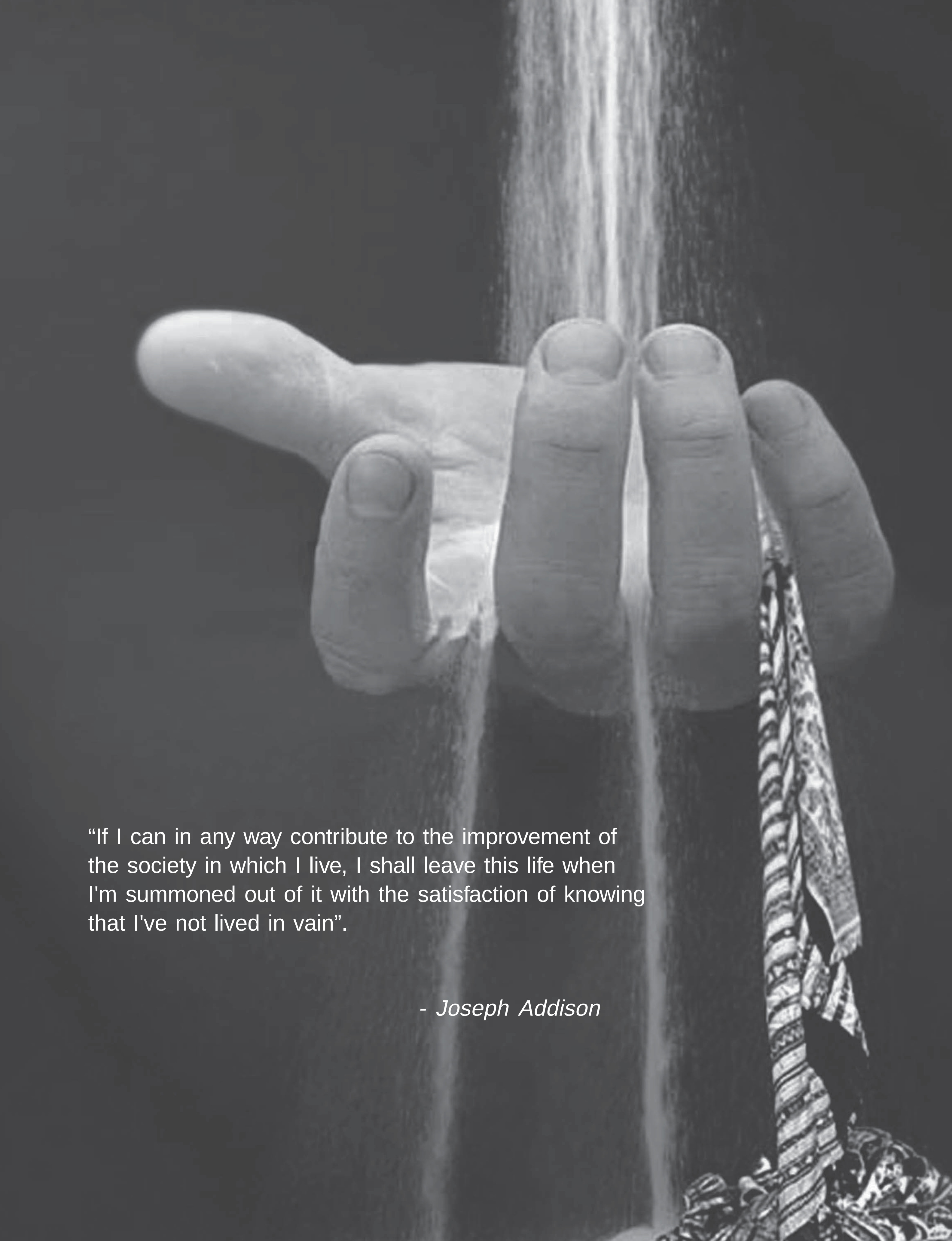
The growth outlook for the soda ash, textiles and ITES sectors remains positive. We are encouraged by the opportunities emerging from the markets we serve, and with our primary objective of being a market leader in the sectors where we operate, we consider ourselves well-positioned to take advantage of our product excellence and management strength to continue on a dynamic growth path.

Overall, GHCL is in good shape, being cash positive, growth-orientated and generally considered by the investment community to be a successful company making its mark in local and global markets.

I believe we have made significant progress during the past few years, but, with a journey such as ours, the destination is never reached. Our businesses are strong and we will work hard to strengthen them even further. That is the only way we can ensure the sustainable growth of GHCL, thereby enabling us to enhance further our position in the sectors in which we operate.

While much has been accomplished, our biggest challenge still lies ahead. Through our various transformation committees, we need to ensure the successful implementation of our BEE (Building Energetic Enterprise) policies throughout our operations as we head towards the future.

Sanjay Dalmia



“If I can in any way contribute to the improvement of the society in which I live, I shall leave this life when I'm summoned out of it with the satisfaction of knowing that I've not lived in vain”.

- Joseph Addison