

## BOARD OF DIRECTORS

**Sanjay Dalmia**

**Anurag Dalmia**

**D. Rajagopalan**

**Hasmukh Adhia**

**Chaman Kumar**

**B. N. Makhija** Nominee (IDBI)

**H. H. Faruqi** Nominee (LIC)

**Dr. B. C. Jain**

**Naresh Chandra**

**S. H. Ruparell**

**Mahesh Kheria** (Alt. to S. H. Ruparell)

**S. K. Mukherjee**

**P. Sampath** Whole time Director

**R. S. Jalan** Whole time Director

**Tej Malhotra** Whole time Director

**N. S. Ramachandran** Whole time Director

**K. K. Ahuja** Whole time Director

**J. P. Mehrotra**

**Sr. General Manager (Finance) &  
Company Secretary**

### REGISTERED OFFICE

"GHCL House"  
Opp. Punjabi Hall,  
Near Navrangpura Bus Stand  
Navrangpura,  
Ahmedabad – 380 009 (Gujarat)

### CORPORATE OFFICE

"GHCL House"  
B -38, Institutional Area,  
Sector - 1  
Noida - 201 301 (UP)

### SUBSIDIARIES

Colwell and Salmon Communications (India) Limited  
Colwell & Salmon Communications Inc USA

### AUDITORS

Jayantilal Thakkar & Co.  
Rahul Gautam Divan & Associates

### WORKS

#### SODA ASH

Village – Sutrapada,  
Near Veraval,  
Distt. Junagarh – 362 265  
Gujarat

#### SALT WORKS & REFINERY

a) Ayyakaramulam  
Kadinalvayal - 614 707  
Distt. Nagapattinam  
Tamilnadu

b) Nemeli Road,  
Thiruporur - 603 110  
Tamil Nadu

#### TEXTILES

a) Samayanallur P.O.  
Madurai - 625 402

b) Thaikesar Alai P.O.  
Manaparai - 621 312

#### ITES

C-38, Sector - 58  
Noida

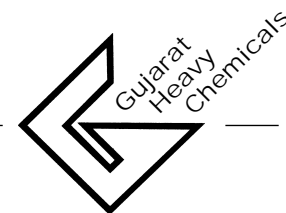
#### BANKERS

State Bank of Travancore  
Canara Bank  
State Bank of Hyderabad  
Dena Bank  
Standard Chartered Bank  
HDFC Bank Limited  
IDBI Bank Limited

#### SHARE TRANSFER AGENTS

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

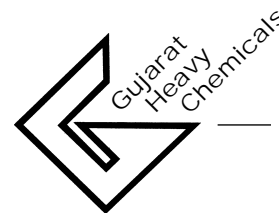




**CONTENTS**

<b>Notice</b>	<b>3</b>
<b>Directors' Report</b>	<b>8</b>
<b>Management Discussion &amp; Analysis</b>	<b>12</b>
<b>Corporate Governance Report</b>	<b>15</b>
<b>Auditors' Report</b>	<b>21</b>
<b>Balance Sheet</b>	<b>24</b>
<b>Profit &amp; Loss Account</b>	<b>25</b>
<b>Cash Flow Statement</b>	<b>26</b>
<b>Schedules Forming Part of the Balance Sheet and Profit &amp; Loss Account</b>	<b>27</b>
<b>Notes on Accounts</b>	<b>34</b>
<b>Statement u/s 212</b>	<b>42</b>
<b>Annual Accounts of Subsidiaries</b>	<b>43</b>
<b><u>CONSOLIDATED FINANCIAL STATEMENT :</u></b>	
<b>Auditors' Report</b>	<b>53</b>
<b>Consolidated Balance Sheet</b>	<b>54</b>
<b>Consolidated Profit &amp; Loss Account</b>	<b>55</b>
<b>Consolidated Cash Flow Statement</b>	<b>56</b>
<b>Schedules Forming Part of the Consolidated Balance Sheet and Profit &amp; Loss Account</b>	<b>57</b>
<b>Notes to the Consolidated Financial Statement</b>	<b>64</b>
<b>Electronic Clearing Services (ECS) Mandate Format</b>	<b>71</b>
<b>Nomination Request Form</b>	<b>73</b>
<b>Attendance Slip and Proxy Form</b>	<b>75</b>





## NOTICE

**NOTICE** is hereby given that the 20<sup>th</sup> Annual General Meeting of the members of Gujarat Heavy Chemicals Limited will be held at The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad - 380 006 (Opp. Gajjar Hall) on Friday, the 26th day of September, 2003 at 11.00 AM to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2003, Profit and Loss Account for the year ended on that date together with the Reports' of the Directors' and Auditors' thereon.
2. To declare a dividend on the Equity Shares.
3. To appoint a Director in place of Mr. S K Mukherjee, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N S Ramachandran, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. K K Ahuja, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Tej Malhotra, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration and to pass with or without modification(s), the following resolution as **Special Resolution**:

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

### SPECIAL BUSINESS

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

"RESOLVED that Mr. P Sampath who was re - appointed by the Board of Directors as an Additional Director under Article 131 & 138 of the Article of Association, of the Company and who holds office until the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of 5 years with effect from 1<sup>st</sup> April 2003 , on the terms and conditions including remuneration as stated in the explanatory statement annexed to the notice, pursuant to the provisions of Section 198,269,309,310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment, modification(s) ,variation or re-enactment thereof and subject to such other approvals as may be required."

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

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

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

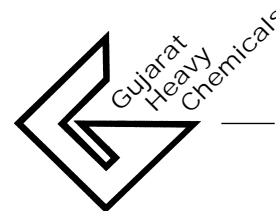
10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

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

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

"RESOLVED THAT the approval of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from Delhi and Calcutta Stock Exchanges, in accordance with Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary, and subject to such conditions and modifications as may be prescribed or imposed for the purpose of de-listing of shares of the Company"





"RESOLVED FURTHER that the Board of Directors of the Company (whether acting through Board, or its Committee or any other person authorised by the Board) be and is hereby authorised to seek delisting of the equity shares of the Company from Delhi and Calcutta Stock Exchanges and to take all necessary steps in this regard and to do all such acts, deeds, matters, and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in regard to de – listing of the equity shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient, as may be deemed fit and for this purpose, to delegate the authority vested in it by virtue hereof to Mr. P Sampath, Sr. Executive Director or Mr. R S Jalan, Sr. Executive Director or Mr. J P Mehrotra, Sr. General Manager (Finance) & Company Secretary or Mr. Bhuvneshwar Mishra, Assistant Company Secretary of the Company.

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

"RESOLVED that subject to the approval of Registrar of Companies, Gujarat, Dadra & Nagar Haveli, the name of the Company be and is hereby changed from "Gujarat Heavy Chemicals Limited" to "GHCL Limited," and subsequent to this change Clause I of the Memorandum of Association and interpretations section containing definition of "the Company or This Company" of Article of Association be altered accordingly."

"RESOLVED FURTHER that the Board of Directors of the Company (whether acting through Board, or its Committee or any other person authorised by the Board) be and is hereby authorised to make application to the Registrar of Companies Gujarat, Dadra & Nagar Haveli, for change of name of the Company from "Gujarat Heavy Chemicals Limited." to "GHCL Limited" and to take all necessary steps in this regard and to do all such acts, deeds, matters, and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in regard to change of name of the Company and to execute all such deeds, documents, writings as may be necessary, desirable or expedient, as may be deemed fit and for this purpose, to delegate the authority vested in it by virtue hereof to Mr. P Sampath, Sr. Executive Director or Mr. R S Jalan, Sr. Executive Director or Mr. J.P. Mehrotra, Sr. General Manager (Finance) & Company Secretary or Mr. Bhuvneshwar Mishra, Assistant Company Secretary of the Company."



**Registered Office:**

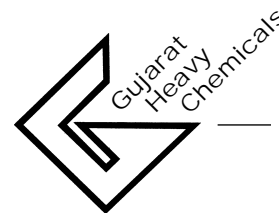
GHCL HOUSE  
Near Punjabi Hall  
Navrangpura, Ahmedabad - 380009  
Dated: 1<sup>st</sup> August, 2003

By Order of the Board  
For **Gujarat Heavy Chemicals Limited**

Bhuvneshwar Mishra  
Assistant Company Secretary

**NOTES**

- (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. Proxies in order to be effective must be deposited at the Registered office of the Company not less than 48 hours before the commencement of the Meeting.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from 15<sup>th</sup> September 2003 to 26<sup>th</sup> September 2003 (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 15<sup>th</sup> September 2003. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as on 14<sup>th</sup> September 2003 as per details furnished by National Securities Depositories Limited (NSDL) and Central Depositories Services (India) Limited (CDSL) for this purpose.
- (4) The Explanatory Statement setting out the material facts concerning Ordinary Business at Item No. 6 and Special Business in respect of Item Nos. 7 to 11 of the accompanying Notice as required by Section 173(2) of The Companies Act, 1956, is annexed hereto. The relevant details of directors seeking appointment or reappointment under Items No. 3 to 6 and 8 to 10, as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges are also annexed.
- (5) Members are requested to notify immediately any change of address to their Depositories Participants (DPs) in respect of their electronic share accounts and to the Share Transfer Registrar of the Company in respect of their physical share folios, if any.
- (6) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for deletion or / change in such bank details. Further instruction, if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depositories Participants.
- (7) Members are requested to send their queries, if any, at least seven days in advance of the meeting so that the information can be made available at the meeting.
- (8) All documents referred to in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company during the business hours on all working days of the Company up to the date of the Annual General meeting.



- (9) Members attending the Meeting are requested to complete the enclosed slip and deliver the same at the entrance of the meeting hall.
- (10) Persons attending the Annual General Meeting are requested to bring their copies of Annual Reports as the practice of distribution of copies of the report at the meeting has been discontinued.
- (11) Consequent upon amendment to Section 205 A of the Companies Act, 1956, and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investors Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Members, who have not yet encashed their dividend warrant(s) for the financial year ended 31<sup>st</sup> March 1996 onwards, are requested to make their claims to the Company accordingly, without any delay.
- (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, residing in the following cities Ahmedabad, Bangalore, Bhubneshwar, Kolkatta, Chandigarh, Chennai, Guwahati, Hyderabad, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. Shareholders holding shares in the physical form who wish to avail ECS facility, may authorise the Company with their ECS Mandate in the prescribed form, enclosed with this Annual Report. Request for payment of dividend through ECS for the year 2002-03 should be lodged on or before 15<sup>th</sup> September 2003 to "Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup - West, Mumbai - 400 078.

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

### Item no. 7

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

Your Directors commend the resolution for your approval.

### Item No 8

Mr. P Sampath was re-appointed by the Board of Directors as an Additional Director at its meeting held on 24<sup>th</sup> January 2003, as per Article 131 and 138 of the Articles of Association of the Company with effect from 1<sup>st</sup> April 2003. Pursuant to Section 260 of the Companies Act, 1956, Mr. P Sampath will hold office as an Additional Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from members proposing the candidature of Mr. P Sampath for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. P Sampath is a Graduate in Commerce and Fellow member of Institute of Cost and Works Accountants of India and Institute of Company Secretaries of India. Mr. P Sampath is having very wide areas of experience in Corporate Finance and Corporate Laws and has more than 5 years of experience as Executive Director (Finance) in the Company out of his 28 years of Industrial experience. Mr. P Sampath is a Director of Colwell and Salmon Communications (India) Limited and a member and Shareholders Grievance Committee of Gujarat Heavy Chemicals Limited.

Mr. P Sampath fulfills the eligibility criteria set out under Part I of Schedule XIII to the Companies Act, 1956. The remuneration payable to Mr. P Sampath is in line with the Uniform remuneration package payable to Wholtime Directors and Managing Director, as approved by the members in their meeting held on 20<sup>th</sup> September 2000. This approved remuneration package is also in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

1. **Basic Salary:** Rs. 90,000/- per month, which may be increased by such amount as the Board may determine from time to time in line with the Uniform Remuneration Package as approved by the members.
2. **Perquisites:** Mr. P Sampath shall also be entitled to the perquisites covering Housing, Medical Reimbursement, Leave, Leave Travel Concession, Club Fee, Personal Accident Insurance, Conveyance, Telephone as approved under the Uniform Remuneration Package.
3. **Commission:** As per the Uniform Remuneration Package.

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

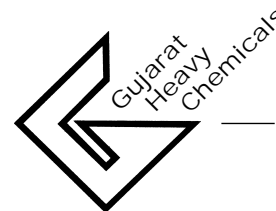
### Item No. 9

Mr. D Rajagopalan, was appointed by the Board of Directors as an Additional Director at its meeting held on 30<sup>th</sup> October 2002 as per Article 131 and 138 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. D Rajagopalan will hold office as an Additional Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from members proposing the candidature of Mr. D Rajagopalan for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. D Rajagopalan, IAS, aged about 54 years is Principal Secretary of Industries and Mines under Government of Gujarat. He has very wide areas of experience in Public Administration and Public Policy. Mr. D Rajagopalan represents GIIC Ltd. and his association with the Board will be of immense value to the overall progress of the Company.



# Gujarat Heavy Chemicals Limited



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

## Item No. 10

Mr. Chaman Kumar, was appointed by the Board of Directors as an Additional Director at its meeting held on 1<sup>st</sup> August 2003 as per Article 131 and 138 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. Chaman Kumar will hold office as an Additional Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from members proposing the candidature of Mr. Chaman Kumar for the office of Director of the Company under the provisions of Section 257 of the Companies Act, 1956.

Mr. Chaman Kumar, IAS, aged about 52 years is Managing Director of Gujarat State Financial Corporation (GSFC) and Gujarat Industrial Investment Corporation Ltd. (GIIC). He has very wide areas of experience in Public Administration and Public Policy. Mr. Chaman Kumar represents GIIC Ltd. and his association with the Board will be of immense value to the overall progress of the Company.

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

## Item No. 11

Presently, the Company's equity shares are listed at the Stock Exchange, Ahmedabad (the regional stock exchange), The Calcutta Stock Exchange Association Limited, The Delhi Stock Exchange Limited, The Stock Exchange Mumbai and National Stock Exchange of India Ltd. (NSE). With the extensive networking of the Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE) to other most of the cities of the India, investors have access to online dealings in the Company's securities across the country. The bulk of the trading in the Company's equity shares in any case takes place on the BSE and the NSE, and the depth and the liquidity of trading in the Company's securities on all other Stock Exchange in the country, in virtually "Nil". The Company's equity shares are one of the scrips which the Securities and Exchange Board of India (SEBI) has specified for settlement only in the dematerialised form by all investors, since 28<sup>th</sup> August 2000. It is also observed that the listing fee paid to the other Stock Exchange is disproportionately higher and the trading volumes and liquidity are lower compared to the BSE and NSE. As a part of its cost reduction measures, the Company has proposed this resolutions, which will enable it to delist its equity shares from all or any of the following Stock Exchanges i.e. the Delhi Stock Exchange Limited and The Calcutta Stock Exchange Association Limited. In line with the requirement of Listing Agreement entered into, by the Company with the Stock Exchanges and in accordance with SEBI (Delisting of Securities) Guidelines 2003, the Company seeks your approval by way of Special Resolution for voluntary delisting of shares from the Calcutta and Delhi Stock Exchanges. The Company is separately giving Special Notice of the proposed enabling resolution for the said delisting in one National Newspaper on all India basis and one in regional language having circulation in the State of Gujarat. The proposed delisting of the Company shares from the said Stock Exchanges, as and when takes place, will not adversely affect the investors. The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on which delisting will take effect will be suitably notified at that time. Your Directors commend the Special Resolution for approval of members. None of the Directors of the Company are in any way, concerned or interested in the resolution.

## Item No. 12

The Board of Director at their meeting held on 1<sup>st</sup> August 2003 has given in principle approval for change of name of the Company from "Gujarat Heavy Chemicals Limited" to "GHCL Limited" subject to approval of the members in the ensuing Annual General Meeting and Registrar of Companies. Gujarat, Dadra & Nagar Haveli as the existing name does not really represent the diversified businesses of the Company i.e. Soda Ash, Edible Salt, Textiles and IT enabled services. Further in the last 20 years of its existence, the Company has been able to establish "GHCL" as an identity and hence the name "GHCL Limited" would be most appropriate. Department of Company Affairs vide its Circular No 27/1/87-CL.II dated 27<sup>th</sup> May 1988 had issued direction that "where the existing Companies are stated and found to be well known in their respective fields by their abbreviated names, these Companies may be allowed to change their names, by way of the abbreviation, with the prior approval of the Central Government (This power has now been delegated to the Registrar of Companies). Pursuant to Section 21 or any other applicable provisions of the Companies Act, 1956 the approval of members of the Company is required on the said resolution.

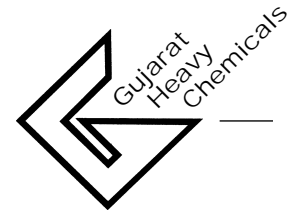
Your Directors commend the resolution for your approval and none of the Directors of the Company is interested in the resolution.

**Registered Office:**  
GHCL HOUSE  
Near Punjabi Hall  
Navrangpura, Ahmedabad - 380009  
Dated: 1<sup>st</sup> August, 2003

By Order of the Board  
For **Gujarat Heavy Chemicals Limited**

Bhuwneshwar Mishra  
Assistant Company Secretary

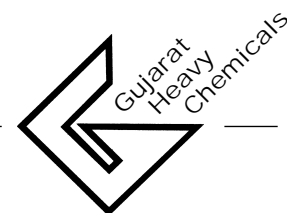




**Appointment or reappointment of Directors:**

**Details of the Directors seeking appointment /reappointment in 20<sup>th</sup> Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)**

Name of Directors	Mr. S K Mukherjee	Mr. N S Ramachandran	Mr. K K Anuja	Mr. Tej Malhotra	Mr. P Sampath	Mr. D Rajagopalan	Mr. Chaman Kumar
Date of Birth	27 <sup>th</sup> December 1935	5 <sup>th</sup> January 1943	31 <sup>st</sup> August 1946	9 <sup>th</sup> June 1950	26 <sup>th</sup> May 1955	26 <sup>th</sup> July 1949	3 <sup>rd</sup> December 1951
Date of Appointment	5 <sup>th</sup> May 2000	5 <sup>th</sup> May 2000	5 <sup>th</sup> May 2000	5 <sup>th</sup> May 2000	24 <sup>th</sup> January 2003 w.e.f 1 <sup>st</sup> April 2003	30 <sup>th</sup> October 2002	1 <sup>st</sup> August 2003
Expertise in specific functional areas	Experienced in Mining Management	Experienced in Soda Ash Marketing	Experienced in the field of Human Resource Management	Experienced in production of Soda Ash and General Management	Experienced in Corporate Finance and Corporate Laws.	Experienced in Public Administration and Public Policy	Experienced in Public Administration and Public Policy
Qualification	Graduate in Mining Engg. Management Diploma Chestees, Glasgow UK	M A (Sociology )	B Sc. MIE BE (Tech) PGD (PSL& IR) MBA, DLL, MS	B Sc. Engg- (Mech)	Graduate in Commerce, FICWA, FCS	IAS	M Sc (Physics), IAS
List of Companies in which outside Directorship held as on 31 <sup>st</sup> March 2003 or on the date of appointment (if appointed after 31 <sup>st</sup> March 2003)	TRF Limited Colwell and Salmon Communications (India) Limited	NA	Dalmia Power Development Ltd. Dalmia Light Power Ltd. Dalmia Power Corporation Ltd. Dalmia Electric Development Ltd. Dalmia Energy Ltd.	NA	Colwell and Salmon Communications (India) Limited	Gujarat Mineral Development Corporation Ltd. Gujarat Industrial Investment Corporation Limited Gujarat State Investment Ltd. Gujarat Setoo Clutch Limited Gujarat State Export Corporation Limited Infrastructure Finance Co. of Gujarat Limited Gujarat Industrial Development Corporation Gujarat State Financial Corporation Gujarat Lease Financing Limited Gujarat Themis Biosyn Ltd.	Gujarat State Machine Tools Corporation Limited Gujarat Venture Finance Limited Gujarat Lease Finance Limited Gujarat Alkalies & Chemicals Ltd. Gujarat Chemical Port Terminals Co. Ltd. Gujarat Welspun Sthal Rohrens Limited Gujarat State Investment Ltd. Infrastructure Finance Company Gujarat Ltd. Gujarat Ports Devpt. Co. Ltd. Gujarat Small Industries Corporation Gujarat Industrial & Technical Consultancy
Chairman /Member of the Committee of the Boards of the other Companies on which he is a Director as on 31 <sup>st</sup> March 2003 or on the date of appointment (if appointed after 31 <sup>st</sup> March 2003)	NA	NA	NA	NA	NA	NA	NA



## DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the 20<sup>th</sup> Annual Report of the Company together with Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2003.

### OPERATIONAL RESULTS

The summary of the financial performance for the year ended 31<sup>st</sup> March 2003 as compared to the previous year is as under. However, the figures are not comparable as the year 2002-03 incorporates the effect of the amalgamation of the erstwhile Icon Data Management Limited w.e.f. 1<sup>st</sup> February 2003 as per the Order dated 17<sup>th</sup> March 2003, of the Hon'ble High Court of Gujarat.

	(Rs. crores)	
	2002-03	2001-02
Net Sales/Income	<b>434.82</b>	406.89
Gross profit before interest and depreciation	<b>99.72</b>	107.95
Interest	<b>20.00</b>	28.64
Profit before depreciation and preliminary expenses - (cash profit)	<b>79.72</b>	79.31
Depreciation/Preliminary Expenses written off	<b>29.52</b>	29.21
Profit before Tax	<b>50.20</b>	50.10
Provision For Taxation - Current	<b>3.57</b>	3.57
Provision For Taxation - Deferred	<b>0.32</b>	0.82
Profit after tax	<b>46.31</b>	45.71
Balance brought forward from last year	<b>63.29</b>	60.68
Excess/(short) provision for tax for earlier year	<b>(0.06)</b>	(0.45)
Debenture redemption Reserve written back	<b>9.85</b>	2.12
Balance absorbed on Amalgamation	<b>(16.74)</b>	-
Amount available for Appropriation	<b>102.65</b>	108.06
<b>Appropriations :</b>		
Debenture Redemption Reserve	<b>3.42</b>	6.00
Capital Redemption Reserve	-	10.00
General Reserve	<b>5.00</b>	5.00
Proposed Dividend	<b>21.87</b>	23.77
Tax on Dividend	<b>2.80</b>	-
Balance Carried To Balance Sheet	<b>69.56</b>	63.29

negotiated others at lower interest rates. In fact, during the year, most of the fund requirements were met through internal generation. Consequently interest charges were substantially lower at Rs. 20.00 Crores as against Rs. 28.64 Crores in the previous year.

Your Company has contributed a sum of Rs. 62.85 Crores to the Exchequer by way of Central excise, Sales Tax and Income Tax during the period.

During the year your Company has transferred a sum of Rs. 11.29 lacs towards unclaimed dividend/unclaimed deposits alongwith interest thereon.

### FIXED DEPOSITS

The Company discontinued inviting, accepting and renewing of fixed deposits effective from 24<sup>th</sup> September 2002. In respect of existing deposits that were due for repayment during the year under review 25.78 lacs remained unclaimed as on 31<sup>st</sup> March 2003, out of which 7.27 lacs have since been repaid till 31<sup>st</sup> July 2003.

### CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21 (Consolidated Financial Statements) of Institute of Chartered Accountants of India, your Directors have pleasure in presenting the Consolidated Financial Statements with those of its subsidiaries for the year ended 31<sup>st</sup> March 2003.

### MANAGEMENT DISCUSSION AND ANALYSIS

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

### CORPORATE GOVERNANCE

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

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

The equity shares of your Company are listed at The Stock Exchange, Ahmedabad (the regional stock exchange), The Calcutta Stock Exchange Association Limited, The Delhi Stock Exchange Limited, The Stock Exchange Mumbai and The National Stock Exchange of India Limited (NSE). The annual listing fees for the year 2003-04 has been paid to all these Stock Exchanges. The shares of the Company are compulsorily traded in dematerialized form.

Specific attention of the Members is drawn to the Item No. 11 of the Notice of the Annual General Meeting and the Explanatory Statement attached thereto, whereby the Company proposes to

### PERFORMANCE

Despite severe competition at the Soda Ash domestic market due to creation of additional capacities in the Industry, your Company has maintained its performance due to continued effort on cost reduction, lowering of interest cost and improved performance of the yarn division. The profit after tax is marginally higher at Rs.46.31 Crores as against Rs. 45.71 Crores in the previous year.

### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 2.30 per Equity Share for the year ended 31<sup>st</sup> March 2003.

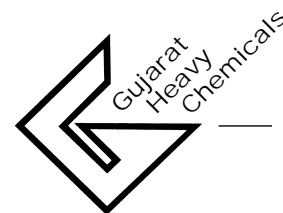
The pay out ratio including dividend tax (total dividend as % of profit after tax) for the year ended 31<sup>st</sup> March 2003 is 53% (previous year 52%)

### FINANCE

The Company has progressively retired high cost debt and partly



# Gujarat Heavy Chemicals Limited



delist its equity shares from Delhi and Calcutta Stock Exchanges. With the wide and extensive networking of the BSE and NSE, the investors have access to online dealings in the Company's shares across the country. The trading volumes of the Company's shares on the Delhi and Calcutta Stock Exchanges are on the decline since the past few years as the bulk of the shares are transacted on the BSE and NSE.

The listing fees paid to the Stock Exchanges do not now offer commensurate benefits to the Company/ its investors and the continued listing on the Delhi and Calcutta Stock Exchanges is not considered necessary. The Board of Directors has therefore, decided to apply for the voluntary delisting under the SEBI (Delisting of Securities) Guidelines 2003, of the Company's shares from the Delhi and Calcutta Stock Exchanges. Considering that equity shares will continue to be listed at BSE, NSE and Ahmedabad Stock Exchanges, no exit option is required to be offered to the shareholders. The delisting would further contribute to the cost reduction initiative taken across various functional areas of the Company. The delisting of equity shares from Delhi and Calcutta Stock Exchanges will not adversely affect any investors including the members located in the regions where the said Stock Exchanges are situated.

## AMALGAMATION

Icon Data Management Limited (IDML), an erstwhile subsidiary of the Company was amalgamated with the Company, following the Order of Hon'ble High Court of Gujarat dated 17<sup>th</sup> March 2003. The appointed date of amalgamation is 1<sup>st</sup> February 2003. Accordingly, IDML has become a Division of the Company. The financial results of the erstwhile IDML for the period beginning from the appointed date of amalgamation to 31<sup>st</sup> March 2003 are reflected in the Company's accounts.

## SUBSIDIARIES

During the year, your Company has acquired the entire equity comprising of 50,050 equity shares of Rs. 10/- each fully paid up of M/s Colwell and Salmon Communications (India) Limited thereby making it a wholly owned subsidiary of the Company. M/s Colwell & Salmon Communications Inc. USA, subsidiary of erstwhile M/s Icon Data Management Limited, has become direct subsidiary of your Company by virtue of amalgamation of M/s Icon Data Management Limited with your Company. As required under Section 212 of the Companies Act, 1956 the audited statement of accounts along with the report of the Board of Directors of the subsidiaries and the respective Auditor's report thereon for the year ended 31<sup>st</sup> March 2003 are annexed herewith.

## SHAREHOLDING OF PROMOTERS' GROUP

Pursuant to Regulation 3 (e) of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997 it is hereby informed that your Company is jointly promoted by Dalmia Group Companies and its associates along with Gujarat Industrial Investment Corporation Limited (GIIC) and the details of their shareholdings are being regularly disclosed to the Stock Exchanges under the requirement of listing agreement on quarterly basis. As on 30<sup>th</sup> June 2003 Dalmia Group and its associates is holding 30.89 % and GIIC is holding 13.41 % of the total paid up equity Capital of the Company.

## CODE FOR PREVENTION OF INSIDER TRADING

Your Company has adopted a Code of Conduct for Prevention of Insider Trading ("GHCL Code") in the shares of the Company. The "GHCL Code" *inter alia*, prohibits purchase/sale of shares

of the Company by employees while in possession of unpublished price sensitive information in relation to the Company. The disclosure of information pursuant to "GHCL Code" has already been given to Stock Exchanges.

## CHANGE OF NAME

Your Company has diversified into Edible Salt, Textiles and IT enabled services and therefore, the existing name of the Company does not really represent the true nature of business in which Company is engaged. The Company has been able to establish its identity with "GHCL" and hence the Board of Directors has given its in principle approval for change of name of the Company from "Gujarat Heavy Chemicals Limited" to "GHCL Limited" subject to approval of the members in the ensuing Annual General Meeting and Registrar of Companies Gujarat, Dadra & Nagar Haveli.

## DIRECTORS

During the year the Board re-appointed Mr. P Sampath as Additional Director for a period of 5 years on the Board subject to members' approval. The Board also appointed Mr. D Rajagopalan and Mr. Chaman Kumar as the nominee of GIIC Limited in place of Mr. L Mansingh and Mr. C L Meena respectively. The Company has received notice u/s 257 of the Companies Act, 1956 from shareholders signifying intention to propose at the ensuing Annual General Meeting the candidature of Mr. P Sampath, Mr. D Rajagopalan and Mr. Chaman Kumar as Directors of the Company. Directors recommend their appointment at the ensuing Annual General Meeting.

The Directors place on record their gratitude for the services rendered by Mr. G P Joshi, Mr. L Mansingh, Mr. C L Meena, and Mr. Shyamsunder Viswanathan during their tenure as members of the Board. The Directors also welcome Mr. D Rajagopalan and Mr. Chaman Kumar to the Board and wish him success for a fruitful association in the future.

Mr. S K Mukherjee, Mr. N S Ramachandran, Mr. K K Ahuja and Mr. Tej Malhotra retire by rotation and, being eligible, offer themselves for re-appointment. The Board recommends their appointments at the ensuing Annual General Meeting.

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

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

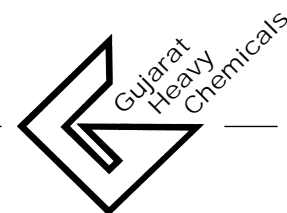
## PARTICULARS OF EMPLOYEES

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

## AUDITORS

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

The Board recommends their re-appointment.

## **COST AUDITORS**

The Board has appointed M/s R J Goel & Company, New Delhi and M/s L S Sathiamurthi & Co. Chennai as cost auditors for the Soda Ash division and Yarn division of the Company respectively under Section 233B of the Companies Act, 1956 for the financial year 2002-03. The Cost Auditors' Report for 2002-03 will be forwarded to the Central Government in pursuance of the provisions of the Companies Act, 1956.

## **AUDITORS OBSERVATIONS**

The Notes to Accounts, forming part of the Balance Sheet as at 31<sup>st</sup> March 2003 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 year ended 31<sup>st</sup> March 2003, the applicable accounting standards have been followed.

- b. appropriate accounting policies have been selected and applied them consistently and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs as at 31<sup>st</sup> March 2003 and of the profit of the Company for the financial year ended 31<sup>st</sup> March 2003;
- 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 year ended 31<sup>st</sup> March 2003 have been prepared on a going concern basis.

## **ACKNOWLEDGEMENT**

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

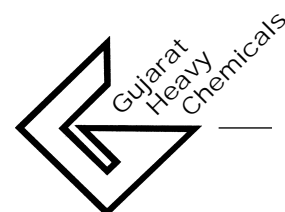
The employees of the Company contributed significantly in achieving higher operating results. The Directors take this opportunity of thanking them and hope that they will maintain their commitment to excellence in the years to come.

By Order of the Board

Place : New Delhi  
Dated : 1<sup>st</sup> August, 2003

SANJAY DALMIA  
DIRECTOR





**ANNEXURE I TO THE DIRECTORS' REPORT**

**A. CONSERVATION OF ENERGY**

**a) Energy Conservation Measures Taken**

1. Briquetting plant commissioned and made successful.
2. A new more efficient ejector installed for enhancing steam recovery from Distiller flash tank.
3. About 5% reduction achieved in Dense Ash steam consumption. Further atleast 10% reduction is expected in current year as result of modifications carried out in condensate handling system.

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

Schemes planned under this head are:

1. Inverter for Boiler LB 77 ID fans.
2. Scheme for uniform mixing of fuel, coal and lignite for better efficiency.
3. Lowering of distiller flash tank.
4. Certified Energy Manager designated and Energy Management Cell created for giving it a major thrust area.

**B. POWER & FUEL CONSUMED**

	<b>2002-03</b>	2001-02				
<b>1. Electricity</b>						
(i) Purchased Units (lacs kwh)	<b>244.64</b>	222.75				
Total amount (Rs.lacs)	<b>1136.38</b>	972.57				
Rate per Unit (Rs.)	<b>4.65</b>	4.37				
(ii) Own Generation						
(a) Through DG						
Units (lacs kwh)	<b>22.68</b>	12.93				
Units per ltr of Diesel Oil	<b>3.35</b>	3.33				
Cost per unit (Rs.)	<b>5.90</b>	5.73				
(b) Through TG						
Units (lacs kwh)	<b>1092.54</b>	1026.82				
Cost per unit (Rs.)	<b>1.11</b>	1.02				
<b>2. Coal</b>						
Quantity (MT.)	<b>117797.00</b>	103731.00				
Total cost (Rs. lacs)	<b>2965.57</b>	2667.38				
Average Rate (Rs/MT)	<b>2517.53</b>	2571.44				
<b>3. Lignite</b>						
Quantity (MT.)	<b>166089.00</b>	180172.00				
Total cost (Rs. lacs)	<b>2171.25</b>	2325.67				
Average Rate (Rs/MT)	<b>1307.28</b>	1290.81				
<b>4 Consumption per Unit of Production</b>						
	Electricity (kwh/MT)		Coal (MT/MT)		Lignite (MT/MT)	
Production (MT)	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
Soda Ash	217.44	212.55	0.23	0.21	0.33	0.37
Salt	31.29	33.36	—	—	—	—
Yarn	5.28	4.83	—	—	—	—



**C. TECHNOLOGY ABSORPTION**

**1. Research & Development**

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

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

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

**3. Imported Technology**

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

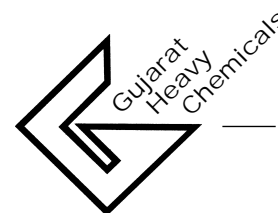
b) Year of Import  
January 1984.

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

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

**D. FOREIGN EXCHANGE EARNING AND OUTGO**

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



## MANAGEMENT DISCUSSION AND ANALYSIS - 2002-03

### Overview

Gujarat Heavy Chemicals Limited (GHCL) is one of the leading manufacturer of Soda Ash in the country apart from commitments in other businesses.

### Soda Ash

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

The total installed capacity amongst the six major players in the Indian market is approximately 26.26 lakh tonnes p.a. against which the total demand for soda ash during 2002-03 was 19.13 lakh tonnes. The last four years has seen the soda ash market grow at a CAGR of 5.10% p.a. and the same is expected to continue. Within India, Gujarat is the largest market with 36% of demand, followed by North with 23%, South 16%, West 15% and East 10%.

The Company is the one of the major producers of Soda Ash in the country and has its plant located in Village Sutrapada in District Junagadh of Gujarat State with a capacity of 5.25 lakh MTPA. The plant has been set up with technical know-how from M/s. AKZO NOBEL BV, The Netherlands with Dry Liming Process and perfect Steam/Power balance giving it a technical edge in the industry. The Company manufactures light and dense soda ash and is the preferred supplier of dense soda ash. The soda ash production during 2002-03 was 5.05 lac tonnes and was marginally higher by 4.12 % over the previous year. Dense production at 2.21 lac tonnes was regulated as per the market demand. The total volume of soda ash sold during the current year was 5.00 lac tonnes, which is almost 11 % higher over the previous year (Domestic & Export volumes). Exports registered growth in sale to the tune of 93 % over the last years and the Company has the largest exporter of soda ash from the country.

GHCL became the first Soda ash manufacturer in the Country to get ISO 14001 and ISO 9001 from DNV that is valid for 3 years. The Company is a signatory to Responsible Care Scheme of ICMA. Measurement of Customer Satisfaction Level is being used as an effective tool to reach the customers and meet their expectations.

Oversupply continues both in the domestic as well as global markets. The industries operate at an average capacity utilization of 82 % of the installed capacity while GHCL's capacity utilization stands at 96 %. The current custom duty on soda ash is 20% and is likely to reduce in line with the WTO regulations in the coming year, thereby increasing competition from imports. However, the

company, which is currently one of the lowest cost soda ash producer in the country with captive supplies of salt and limestone will remain competitive with its backward integration into lignite and other cost reduction measures. The company is already extensively looking at export markets and has been able to develop markets in South East Asia, Middle East and some countries in Africa which would enable it to counter the over capacity in the domestic market.

### Yarn

The total number of spinning mills in the organised sector at the end of the year is 1875 as against 1864 in the year 2001-02. The current installed capacity in the organised sector is 36.10 million spindles. The provisional figures available for the total spun yarn production in the country during the year indicate that there has been a small reduction from 3101.06 million kgs in 2001-02 to 3085.49 million kgs in the current year. The non-cotton yarn production continues to improve to 317.95 million kgs from 280.16 million kgs in the year 2001-02. However, Cotton yarn, which forms a major component of spun yarn production has recorded a decline with figures of 2180.41 million kgs (from 2208.07 million kgs in 2001-02). Also, blended yarn has recorded 588.11 million kgs during the year (from 613.21 million kgs in 2001-02).

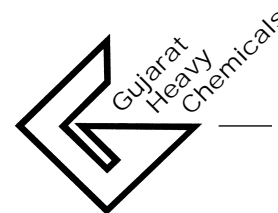
The Government has announced various measures for the Textile sector in the budget 2003-04 which will no doubt benefit the industry as a whole and more specifically the organised sector. The measures include the rationalisation of the excise duties, completion of the Cenvat chain, reduction in import duty for identified machinery, and incentives for modernisation of the entire Textile sector particularly powerlooms. The underlying rationale was to give a boost to the Textile sector so that it could prepare for the post MFA era after January 2005 and to make the entire sector into a level playing field, that would attract further investment that is a prerequisite for further growth.

The Textile Industry, which is a large employer of manpower and a substantial foreign exchange earner for the country has shown improvement in performance during the year 2002-03. Many companies that had been showing losses for some years have now started making profits and there appears to be a revival in this sector.

The current year witnessed the completion of the first phase of modernisation of the Paravai unit. This unit is now 'state of the art' with the latest machinery's installed and is manufacturing 100% cotton combed yarns for the premium segment. The division has now changed its count range in view of the modernised unit and the demand for the counts produced are good.

The current financial year has started well and this trend should continue during the year. However, one needs to keep a watch on the SARS situation in South east and Far east as the finished goods demand there could be affected and consequently there could a reduction in yarn demand from that region. While this would not affect the sales of the Textile division since our presence is small in that region, this could have an effect on global prices of yarn in other markets as well, since India's export share to Far East and South East region is almost 2/3 rd of its total exports of yarn.

The quota regime is likely to be eliminated from 2005 and although this will afford an opportunity to spinning mills to gain access into quota markets, it will also involve more stringent competition with increased emphasis of supplying the best quality yarn at the most competitive prices. Companies, which are preparing for this opportunity with respect to good quality with



lower costs of production, will have a definite advantage. The division is also now able to supply good quality yarn to the end users in the premium segments of single combed yarns in the medium and fine count range, after the modernisation. There is also a constant endeavour to reduce costs of production for better profitability and competitiveness.

### Refined Salt

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

The Refined salt units produced both edible grade salt for human consumption and industrial grade salt for industrial use. The edible grade salt is sold in various brands as well as in bulk. The Industrial grade salt is used in textiles, dyes and detergent industries.

The Salt Refinery unit of the company at Chennai, Tamil Nadu has a capacity of 1.0 Lac tons and has its own captive salt fields at Vedaranium in Tamil Nadu. The other unit at Palghar, Maharashtra is being relocated to Tamil Nadu and is expected to commence operation in the year 2003-04. The Refineries are basically operating as OEM suppliers to edible salt brands besides producing industrial grade salt for Textile/ Detergent Industries.

The captive raw salt field at Vedaranium produces over 1.50 Lac tons salt per annum and meets the requirement of the refinery unit fully which is critical to the success of the refinery unit in terms of cost and quality.

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

The main competitors to the company's operations are the low cost salt producers from Gujarat with substantial salt production in the last 3 years due to monsoon failure, the carried forward stocks in the industry is very high and the salt price in the last few years has been at a very low level resulting in severe competition in the Refined Salt market.

The Gujarat producers were enjoying concessional railway freight till 2002. With the railway freight rate corrected in the railway budget, the competition from the Gujarat producers has been reduced to the benefit of the southern refinery manufacturers and the capacity utilisation is improving. In addition, with the introduction of various national brands and the conversion of unrefined salt to refined salt, the market demand for the refined salt is expected to increase in the coming years. However, being the OEM producers for other brands, the margins are under pressure, the company is also exploring the possibilities of sale of raw salt, crushed and crystal salt which are in the unrefined segment where the market size is 4 times bigger than the refined segment.

### IT Enabled Services

IT Enabled Services (ITES) refers to the services delivered over telecom networks or the Internet to a range of business areas and verticals. Most of these functions are human-intensive and technology is used as a tool to provide these services. Due to their human-intensive nature and to derive cost advantage with quality and efficiency, these processes and services are outsourced. These services vary from customer care contact centers to business process outsourcing.

India is becoming the hub for ITES due to low manpower cost, large pool of English speaking and India's unique time zone position which is about 10-12 hours behind the US and 4-5 hours behind most European countries. Key services offerings, being provided by the ITES companies in India are pre sales telemarketing (outbound), technical support (inbound), customer care (inbound) and back office work/ transaction processing e.g. accounting, payment processing, insurance claims, etc.

ITES market remained a high growth segment for the Indian software and services industry during 2002-03. Despite the adverse global economic conditions, Indian players in this space logged in high growth rates. Overall this sector grew at over 65 percent—upping revenues from Rs. 71 billion in 2001-02 to touch Rs. 117 billion in 2002-03. The US and UK markets have provided the most ITES business for India. Convinced about the benefits (in terms of cost cutting) ITES brought in, leading global customers scaled their requirements to Indian vendors and a large number of *Fortune 100* companies are now exploring ITES from India.

The company's wholly owned subsidiary in the segment i.e. erstwhile Icon Data Management Limited has since been amalgamated with the company and shall carry on the same business. It has acquired equity holding in a US Company, M/s Colwell & Salmon Communications Inc., engaged in the similar business, which shall be leveraged for outsourcing business into India.

### Internal Control System and their Adequacy

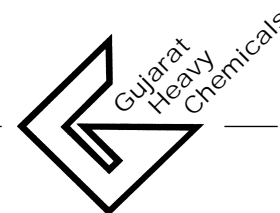
The Company has designed proper and adequate internal control systems to ensure that its assets are safeguarded and protected against unauthorised use or disposition and that the transactions are authorised, recorded and reported correctly. Supplementing the internal control is an extensive programme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

### Financial/Operational Performance

The Financials for the year 2002-03 are not strictly comparable with that of the previous year since the current year figures includes the effect of the amalgamation of erstwhile The Icon Data Management Limited (IDML) pursuant to the Order of Hon'ble High Court of Gujarat. A summarised operational performance is given below:

	Rs. in crores		% change
	2002-03	2001-02	
Net Sales/Income	434.82	406.89	6.86
Operating Profit (PBDIT)	99.72	107.95	(7.62)
Interest	20.00	28.64	30.20
Depreciation	29.52	29.21	(1.06)
Profit Before Tax	50.20	50.10	0.22
Tax	3.89	4.39	11.39
Net Profit	46.31	45.71	1.31





The Company has maintained its performance despite severe competition at the Soda Ash domestic market due to creation of additional capacities in the Industry due to continued effort on cost reduction, lowering of interest cost and improved performance of the yarn division.

The Company has a debt-equity ratio of 0.57 as at 31<sup>st</sup> March, 2003 which provides it leverage to raise further resources from the market. The process of restructuring debt and timely repayment of debts has helped in the reduction of the company's interest burden in the year 2002-03 and shall also have a positive impact on future performance. During the year the company has reduced its long-term debt from Rs. 133.88 Crores to Rs. 115.93 Crores. The company has very healthy cash flows and the surplus funds are parked in short-term instruments. The company's working capital lines of credit have not been utilised during most part of the year. The book value of the company's share is Rs. 21.49.

### Human Resource Development

The company has 1719 employees with different and diverse academic background and work experience. The company's HR Philosophy is to provide meaning, purpose and a contextual framework that encourages individual potential to flourish and grow. The company follows an annual Performance Management System with the objective of rewarding employees for their merit and contribution. Organisation has continuous employee development programmes with emphasis on Self-Development. The training inputs are provided based on the identification of training needs. Specialised Training Programs are organised from time to time spanning the entire Knowledge-skill-value spectrum. Proactive and transparent employer- employee relation is the key for effective Industrial Relations and to further the same the company has developed TEAM Concept among all employees which has resulted in improved productivity and cost consciousness. The company has achieved high maturity through rigorous adherence to highly evolved processes, which have been systematically benchmarked against world class operations. GHCL is a caring organisation with highly skilled and motivated manpower, which is the key to its success.

### Social Responsibility and Community Development Programs:

The Company has been forthcoming in its social responsibilities and has adequate system to mobilize its resources either in terms

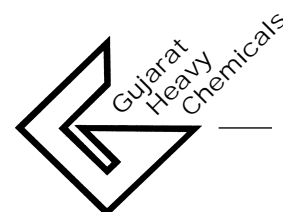
of funding of moneys to various organisation engaged in the social activities like imparting of education, health, eradication of poverty, strengthen of status of women in the society or providing technical support for the improvement of life of people living in the vicinity of Plant. The Company provides medical consultancy with its GHCL Ladies Welfare Organisation ("GLWO") to the patients from Sutrapada and nearby villagers' i.e. Polio eradication camp, blood grouping camp, Plastic Surgery camp, eye checkup, De - addiction awareness, supporting physical handicapped by providing supporting equipments etc. The Company has made arrangement for providing drinking water to nearby villagers i.e. Kadwar, Sutrapada, Latti, Harnasa, and Sutrapada bunder through its pipeline from Hiren Dam. The Company has installed two watchtowers at the Somnath Temple.

The Company has organised Mines Safety Week, Safety Day and Words Environment Day enabling the people living in the vicinity of the plant in a safe, healthy and prosperous way. The Company is proud of its people who work together and live together in the colonies at Sutrapada, in complete harmony, maintaining a healthy and congenial atmosphere of cooperation.

### Cautionary Statement

Management Discussion and Analysis report contains statement describing the Company's objectives, estimates, projections, expectation may be "forward looking statements" within the meaning of applicable corporate laws and regulations. Actual results could differ materially from those expressed or implied. The important factors that would make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic and overseas markets in which the raw material prices, changes in the Governmental regulations, labour negotiations, tax laws and other statutes, economic development within India and the countries within which the company conducts business and incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis, of any subsequent developments, information or events.





**CORPORATE GOVERNANCE FOR THE YEAR 2002-03**

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

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

The Company firmly believes in and has consistently endeavoured to practice good Corporate Governance.

The spirit of Corporate Governance has prevailed in the Company and has influenced its decisions and policies. The Company firmly believes in the values of transparency, professionalism and accountability in its dealings with its customers, suppliers, lenders, employees, and shareholders and with every individual who comes in contact with the Company.

**2. Board of Directors**

As on 31<sup>st</sup> March 2003, the 16 member Board comprised of 10 Non – Executive Directors and Institutional Nominees and the day to day affairs of the Company are managed by the Managing Director and 5 Whole time Directors.

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

During the year four Board Meetings were held on 24th April 2002, 26th July 2002, 30<sup>th</sup> October 2002 and 24th January 2003.

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

Sl. No	Name of Director	Category of Directorship	No of Board meetings attended	Attendance at last AGM	No of Director-ship in other Companies**	No of committees positions held as Chairman in other public Companies	No of committees positions held as member in other public Companies
1	Mr. Sanjay Dalmia	Promoter	4	Yes	7	—	—
2	Mr. Anurag Dalmia	Promoter	4	No	8	—	—
3*	Mr. L Mansingh (Upto 30 <sup>th</sup> October 2002)	Promoter	2	No	N/A	N/A	N/A
4*	Mr. Hasmukh Adhia	Nominee - GIIC	3	No	2	—	—
5*	Mr. D Rajgopalan (w.e.f. 30.10.2002)	Promoter	2	No	10	—	—
6*	Mr. G P Joshi (Upto 26.7.2002)	Nominee - GIIC	1	No	N/A	N/A	N/A
7*	Mr. C L Meena (w.e.f. 26.7.2002)	Promoter	3	Yes	13	—	—
8*	Mr. B N Makhija	Nominee - GIIC	4	No	2	—	—
9*	Mr. H H Faruqi	Independent Nominee- IDBI Nominee - LIC	3	Yes	—	—	—
10*	Dr. B C Jain	Independent	4	Yes	1	—	1
11	Mr. S H Ruparell	Promoter - Nominee	—	No	—	—	—
12	Mr. Mahesh Kheria	Alt to S H Ruparell	4	No	—	—	—
13	Mr. Naresh Chandra	Promoter - Nominee	4	No	1	—	—
14	Mr. S K Mukherjee	Managing Director	4	Yes	2	—	—
15	Mr. P Sampath	Executive Director	4	Yes	1	—	—
16	Mr. Tej Malhotra	Executive Director	4	Yes	—	—	—
17	Mr. N S Ramachandran	Executive Director	4	Yes	—	—	—
18	Mr. K K Ahuja	Executive Director	4	No	5	—	—
19	Mr. R S Jalan	Executive Director	4	No	1	—	2
20	Mr. Shyam Viswanathan (Upto 31.1.03)	Director	4	No	—	—	—

\* Denotes Independent Directors.

\*\* Excludes Directorships in Indian Private Limited Companies, Government Corporations and Foreign companies.

**3 Audit Committee**

The Audit Committee of the Board met four times during the financial year ended 31<sup>st</sup> March 2003, on the following dates:

24<sup>th</sup> April 2002, 19<sup>th</sup> July 2002, 29<sup>th</sup> October 2002 and 24<sup>th</sup> January 2003. The necessary quorum was present at the meeting.



## Composition

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

Sl No.	Name	Status	No of Meetings attended
1.	Dr. B C Jain	Chairman	4
2.	Mr. H H Faruqi	Member	4
3.	Mr. C L Meena (w.e.f. 26.7.2002)	Member	2
4.	Mr. L Mansingh (upto 30.10.2002)	Member	2

The Statutory Auditors, the Executive Director – Finance, Company Secretary and Head of Internal Audit were invitees to the Audit Committee Meetings.

### Terms of Reference:

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

The Company has complied with the requirements of Clause 49 II (A) as regards composition of the Audit Committee. Dr. B C Jain, Chairman of the Audit Committee is an expert in accounting and financial matter and he was present in the Annual General Meeting held on 24<sup>th</sup> September 2002 to answer the queries of shareholders.

### 4. Remuneration Committee:

The Company has constituted a Remuneration Committee as early as 1995. The broad terms of reference of the Remuneration Committee are to recommend salaries (including annual increments), perquisites and commission to be paid to the Company's Managing / Whole time and Non Whole time Directors, within the overall ceiling fixed by the Members. During the financial year ended 31<sup>st</sup> March 2003, the Remuneration Committee has met on 19<sup>th</sup> July 2002.

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

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

### Remuneration Policy:

Payment of remuneration to the Managing and Whole time Director is governed by the respective Agreements executed between them and the Company. These Agreements were approved by the Board and the Shareholders. Their Remuneration structure comprises salary / commission linked

to profits, perquisites and allowances, contribution to provident fund and Superannuation. The Non - Executive Directors do not draw any remuneration from the Company other than the sitting fee and such commission as may be determined by the Board from time to time.

Details of remuneration, commission and sitting fee paid/payable to the Directors of the Company for the financial year 2002-03 are given below:

Non Wholetime Directors (in Rupees)

Name	Sitting Fees	Commission**
Mr. Sanjay Dalmia	55,000	4,50,000
Mr. Anurag Dalmia	20,000	4,50,000
Mr. L Mansingh*¶	35,000	2,61,370
Mr. D Rajagopalan¶	10,000	1,88,630
Mr. C L Meena¶	40,000	3,06,987
Mr. Hasmukh Adhia¶	15,000	4,50,000
Mr. G P Joshi*¶	5,000	1,43,013
Mr. B N Makhija†	20,000	4,50,000
Mr. H H Faruqi†	65,000	4,50,000
Dr. B C Jain	75,000	4,50,000
Mr. S H Ruparell	—	—
Mr. Mahesh Kheria	20,000	4,50,000
Mr. Naresh Chandra	20,000	4,50,000
Mr. R S Jalan*	5,000	—
Mr. Shyam Viswanathan	20,000	—

\* For Part of the year

¶ Sitting Fees and Commission paid to GIIC Ltd.

† Commission paid to Institutions they represent.

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

Wholetime Directors

Name	Salary and other perquisites#	Commission
Mr. S K Mukherjee	25,22,200	35,00,000
Mr. P Sampath	18,32,644	14,00,000
Mr. Tej Malhotra	12,26,304	8,00,000
Mr. N S Ramachandran	15,86,120	7,00,000
Mr. K K Ahuja	16,43,904	7,00,000
Mr. R S Jalan	14,38,869	5,71,507

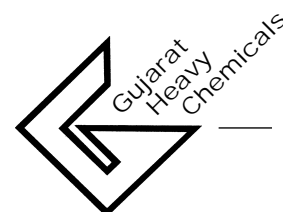
# Includes Company's contribution to Provident Fund and Superannuation Fund.

\*Includes salary received from erstwhile The Sree Meenakshi Mills Limited prior to becoming Wholetime Director of the Company w.e.f. 7<sup>th</sup> June 2002

Notes:

- The agreement with the Managing and Whole Time Directors is for a period of five years. Either party to the agreement is entitled to terminate the agreement by giving six calendar months prior notice in writing to the other party.
- Presently the Company does not have a scheme of Stock Options either to working Directors or employees of the Company.
- Mr. S K Mukherjee has stepped down as Managing Director of the Company w.e.f. 1<sup>st</sup> May 2003 but continues to be a Director on the Board.





## 5. Shareholders / Investors Grievance Committee

### Grievance Committee

The Board has constituted Shareholders / Investors Grievance Committee in April, 2001, in order to expedite the process of redressal of complaints like transfer of shares, non – receipts of Balance Sheet, non - receipts of declared dividends, etc. The Committee meets at least once in a fortnight to expedite all matters relating to Shareholders / Investors Grievances. The composition of Committee is as under:

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

### Committee for Share transfer and Operations

In order to expedite the process of transfer of shares, Dematerialization, Consolidation, sub division and operations and providing authority for various functional requirements, a Committee for Share Transfer / Operations was formed in its existence since 13<sup>th</sup> February 1988. This Committee meets at least once in a fortnight to expedite all matters relating to Share Transfer and Operations and granting authority for various functional requirements in line with the delegated authority of Board of Directors from time to time. The composition of the Committee is as under:

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

### Name and designation of Compliance Officer:

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

Mr. Pramod Mehendale, Intime Spectrum Registry Limited (Share Transfer Registrar of the Company)

### Status of Total Complaints received during the financial year 2002-03 are given below:

S. No.	Type of Complaints	Total No. of Complaints received during 2002-03	Total No. of Complaints resolved during 2002-03	Total No. of Complaints pending as on 31-3-03
1	Non – receipt of dividend	613	613	0
2	Share transfer including D mat request.	244	244	0
3	Non receipt of Annual Report	69	69	0

## 6. General Body Meeting:

- a) The last three Annual General Meeting of the Company were held within the Statutory Time period and the

details of the same are reproduced hereinbelow

Financial Year	Date	Time	Venue
2001-2002	24.09.2002	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad
2000-2001	21.09.2001	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad
1999-2000	20.09.2000	11.00 AM	Gajjar Hall, Nariman Bhawan, Law College Road, Ahmedabad

The last two Extra-Ordinary General Meetings were held as under

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

## b) Special Resolutions:

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

- Appointment of Auditors
  - Amendment of Articles of Association of the Company.
  - Authorisation for making application for voluntary delisting of shares of the company from Delhi & Calcutta Stock Exchanges.
- c) All Special Resolutions moved at the last AGM were unanimously passed on a show of hands by the shareholders present at the meeting and no resolution was put to vote by postal ballot.
- d) No Special resolution was put through postal ballot last year.

## 7. Disclosures:

### Disclosure on materially significant related party transactions

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

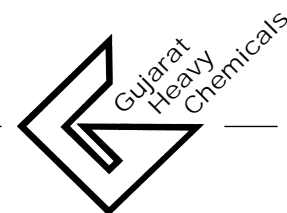
### Disclosure of non-compliance by the Company.

There were no instances of non-compliance of any matter related to the capital markets during the last three years except the filing of documents under the SEBI Regularization Scheme 2002.

## 8. Means of communications:

- The quarterly /six monthly results of the Company were published during the year under review in leading

# Gujarat Heavy Chemicals Limited



national newspapers namely , Business Standard (all editions) and Jansatta (Regional language) (Gujarat edition) and also displayed at (<http://www.ghcindia.com>)

- Management Discussion and Analysis Report forms part of this Annual Report

## 9. General shareholder's Information

Annual General Meeting :	26 <sup>th</sup> September 2003 at 11.00 AM at The Institution of Engineers (India), Gujarat State Centre, Bhaikaka Bhavan, Law College Road, Ahmedabad - 380 006 (Opp. Gajjar Hall)
Date, time & Venue	

As required under Clause 49 VI (A), particulars of Directors seeking appointment/reappointment are given in the Notice to the Annual General Meeting to be held on 26<sup>th</sup> September 2003.

Financial Calender (Tentative)	
- Financial reporting for the Quarter ending June 30, 2003	End of July, 2003
- Financial reporting for the Quarter ending Sept. 30, 2003	End of October, 2003
- Financial reporting for the Quarter ending Dec. 30, 2003	End of January, 2004
- Financial reporting for the Quarter ending March 31, 2004	End of April, 2004
- Annual General Meeting for the year ending March 31, 2004	August/Sept., 2004

Book closure dates	15 <sup>th</sup> September 2003 to 26 <sup>th</sup> September 2003 (both days inclusive)
--------------------	--

Dividend Payment	Final dividend @ 23% will be paid on or after 30 <sup>th</sup> September 2003, if approved by the members in the ensuing Annual General Meeting
------------------	---

Listing on Stock Exchanges	Equity Shares of the Company are listed at following Stock Exchanges:
----------------------------	---

The Stock Exchange  
Mumbai,  
Phiroze Jeejeebhoy, Dalal Street, Mumbai – 400 001

The Stock Exchange  
Ahmedabad, Kamdhenu Complex, Opp. Sahajanand College, Ahmedabad – 380 015

The Delhi Stock Exchange, Association Limited  
DSE House, 8/1 Asaf Ali Road, New Delhi – 110 002

The Calcutta Stock Exchange, Association Limited  
7, Lyons Range, Calcutta – 700 001

## Listing Fees

Listing fees for all the aforesaid Stock Exchanges for the financial year 2003-04 have been paid

## Stock Code:

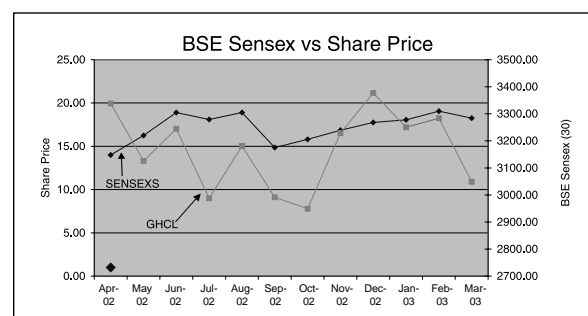
### Bombay Stock Exchange

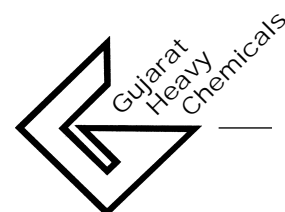
-Physical	171
-Dematerialised	INE 539A01019

## MONTHWISE STOCK MARKET DATA (BSE & NSE) RELATING TO EQUITY SHARES OF THE COMPANY FOR THE PERIOD 1-4-2002 TO 31-3-2003

Period April 2002 to March 2003	Share Traded (Nos.)			Price Per Share (Rs.)		Price Per Share (Rs.)	
	BSE	NSE	Total	High	Low	High	Low
April	7,62,633	12,75,627	20,38,260	15.25	12.00	15.00	12.10
May	13,09,063	19,15,319	32,24,382	18.00	12.95	17.95	13.00
June	51,79,661	49,29,424	101,09,085	20.40	15.50	20.50	15.65
July	26,10,007	42,17,756	68,27,763	21.90	17.05	21.55	17.05
August	5,22,536	11,83,519	17,06,055	19.75	18.15	19.75	18.10
September	4,50,115	9,22,792	13,72,907	19.85	13.25	19.85	14.50
October	2,75,759	5,90,177	8,65,936	17.80	14.90	18.20	14.90
November	1,95,631	4,67,362	6,62,993	17.20	15.80	17.25	15.25
December	2,89,645	7,92,499	10,82,144	19.80	16.80	18.70	16.80
January	6,24,587	13,95,964	20,20,551	18.85	17.25	18.90	17.00
February	3,89,155	13,04,626	16,93,781	19.90	17.70	19.85	17.75
March	3,26,548	8,02,582	11,29,130	19.25	18.10	19.80	17.50

Performance in comparison to broad based indices such as BSE.





## Address for investor correspondence

For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non receipt of dividend or any other quarry relating to shares, please write to :

Intime Spectrum Registry Ltd.  
C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West)  
Mumbai - 400 078  
Phone 022 25923837/  
31070256/7  
Fax: 022 25689678/  
5672693  
E Mail isrl@vsnl.com

For general correspondence:  
Gujarat Heavy Chemicals Limited  
B-38 Institutional Area,  
Sector – 1 Noida 201 301  
Phone: 0120 2535335  
Fax # 0120 2534153/5209  
E-mail: ghcl@vsnl.com

**Share Transfer System**

The Share Transfer Committee meets every fortnight. Share transfers in physical form are re-registered or returned within a period of 15 to 20 days from the date of receipt in case documents are completed in all respects.

**Dematerialisation of Shares and Liquidity**

72.42% of the outstanding shares have been dematerialised as on 31<sup>st</sup> March 2003. Trading in company's shares is permitted only in dematerialised form with effect from 28<sup>th</sup> August 2000 as per notification issued by the Securities and Exchange Board of India.

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

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

## DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2003

No. of Shares held of Rs.10 each between	No. of Share-holders	% of Total Share-holders	No. of Shares	% of Total Shares	
1	5000	62,746	88.33	115,02,029	12.09
5001	10000	5,111	7.19	44,81,649	4.71
10001	20000	1,777	2.50	28,48,810	3.00
20001	30000	506	0.71	13,17,011	1.40
30001	40000	209	0.29	7,63,417	0.80
40001	50000	222	0.31	10,69,073	1.12
50001	100000	261	0.38	19,42,037	2.04
100001	above	208	0.29	7,11,64,385	74.84
<b>Total</b>	<b>71,040</b>	<b>100.00</b>	<b>9,50,88,411</b>	<b>100.00</b>	

## CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2003

Sl. No.	Category	No. of Folios	Total Shares held	% to the Share Capital
1.	Public	67,430	2,39,39,829	25.18
2.	Mutual Funds	10	18,963	0.02
3.	Insurance Company	4	9,10,135	0.96
4.	Nationalised/ Other Banks	18	46,703	0.05
5.	Indian Financial Institutions	7	1,91,55,669	20.15
6.	Foreign Institutional Investor	1	500	0.00
7.	Non Resident Indian	2,568	23,43,513	2.46
8.	Directors & Relatives	3	4,950	0.01
9.	Corporate Bodies	999	4,86,68,149	51.18
<b>Total</b>		<b>71,040</b>	<b>9,50,88,411</b>	<b>100.00</b>

## Plant Locations:

### Soda Ash Plant

Village: Sutrapada  
Near Veraval,  
Distt. Junagarh – 362 265  
Gujarat

### Salt Works & Refinery

a) Ayyakaramulam  
Kadinalvayal - 614 707  
Distt. Nagapattinam  
Tamilnadu

b) Nemeli Road,  
Thiruporur - 603 110  
Tamil Nadu

### Textile Division

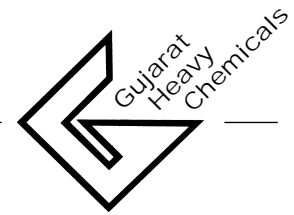
(a) Samayanallur P.O,  
Madurai – 625 402.

(b) Thaikesar Alai P.O,  
Manaparai – 621 312

### ITES Division

C - 38 Sector - 58  
Noida





**AUDITORS' CERTIFICATE**

To the Members of  
GUJARAT HEAVY CHEMICALS LIMITED

We have examined the compliance of conditions of corporate governance by Gujarat Heavy Chemicals Limited ( the company ), for the year ended on 31<sup>st</sup> March 2003, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

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

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

As required by the Guidance Note by the Institute of Chartered Accountant of India we have to state that based on the report given by the Registrars and Share Transfer Agents of the Company to the Investors' Grievance Committee, as on 31<sup>st</sup> March 2003 there were no investor grievance matters against the Company remaining unattended / pending for more than 30 days.

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

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

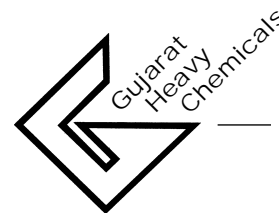
(C. V. THAKKER)  
Partner

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

(RAHUL DIVAN)  
Partner

Place : Mumbai  
Dated : 1<sup>st</sup> August, 2003.





## AUDITORS' REPORT

To the Members of  
GUJARAT HEAVY CHEMICALS LIMITED

1. We have audited the attached Balance Sheet of Gujarat Heavy Chemicals Limited as at 31<sup>st</sup> March, 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate, we annex hereto 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 the books ;
  - (c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account ;
  - (d) in our opinion, the Balance Sheet and Profit and Loss Account 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 of the Company as at 31<sup>st</sup> March 2003 and taken on record by the Board of Directors, and as per information and explanations given to us, none of the Directors of the Company is, disqualified as on 31<sup>st</sup> March, 2003 from being appointed as a Director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956,
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and the Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2003;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
    - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.



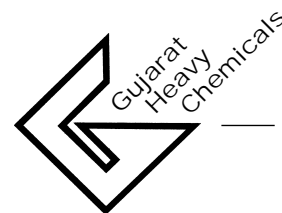
For and on behalf of  
JAYANTILAL THAKKAR & CO.  
Chartered Accountants

C. V. THAKKER  
Partner

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

RAHUL DIVAN  
Partner

Place : Mumbai  
Dated : 1<sup>st</sup> August, 2003

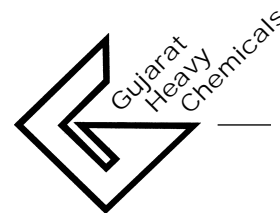


## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of our report of even date on the accounts for the year ended 31 March 2003)

- i) The Company has maintained proper records to show, full particulars, including quantitative details and situation of fixed assets. We are informed that some of the fixed assets were physically verified by the management according to a programme of verification and that no significant discrepancies were noticed on such verification. In respect of assets not verified, discrepancies, if any, could not be ascertained.
- ii) None of the fixed assets have been revalued during the year.
- iii) The stocks of finished goods, stores and spare parts and raw materials have been physically verified by the management at reasonable intervals during the year.
- iv) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v) The discrepancies noticed on physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of account.
- vi) In our opinion, and on the basis of our examination of the stock records, the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- vii) The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as this Company within the meaning of Section 370 (1B) of the Companies Act, 1956.
- viii) The Company has made interest free advances in the nature of loan to its subsidiary company for which no repayment terms have been stipulated. The Company has not granted any other loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. There are no companies under the same management as this Company within the meaning of Section 370 (1B) of the Companies Act, 1956.
- ix) Employees to whom interest free loans and advances in the nature of loans have been given are repaying the principal amounts as stipulated.
- x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
- xi) In our opinion and according to the information and explanations given to us, there are no transactions of purchases of goods and materials and sale of goods, material and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000/- or more in respect of any party.
- xii) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provisions have been made in the accounts for the loss so determined.
- xiii) The Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder, with regard to the deposits accepted from the public.
- xiv) The Company has maintained reasonable records for the sale and disposal of scrap. We are informed by the Company that no by-products are generated.
- xv) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- xvi) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under Section

## Gujarat Heavy Chemicals Limited



209 (1) (d) of the Companies Act, 1956, 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.

- xvii) The Company is generally regular in depositing provident fund dues with the appropriate authority.
- xviii) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at 31<sup>st</sup> March, 2003 for a period of more than six months from the date they became payable.
- xix) According to the information and explanations given to us and on the basis of records examined by us, no personal expenses of employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- xx) The Company is not a sick industrial Company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies ( Special Provisions ) Act, 1985.
- xxi) In respect of trading activities of the Company, we are informed that there are no damaged goods.

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

C. V. THAKKER  
Partner

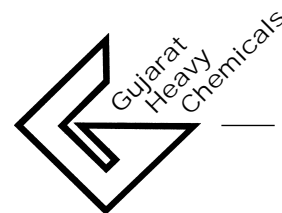
Place : Mumbai  
Dated : 1<sup>st</sup> August, 2003

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

RAHUL DIVAN  
Partner



# Gujarat Heavy Chemicals Limited



## BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedules	As at 31.3.2003 (Rs. in lacs)	As at 31.3.2002 (Rs. in lacs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Funds</b>			
Capital	1	9,508.84	9,508.84
Reserves and Surplus	2	12,388.26	11,904.88
		<b>21,897.10</b>	21,413.72
<b>Loan Funds</b>			
Secured Loans	3	11,689.73	13,492.14
Unsecured Loans	4	174.24	427.94
		<b>11,863.97</b>	13,920.08
<b>Deferred Tax Liability</b>		<b>7,501.69</b>	7,318.28
<b>Total</b>		<b>41,262.76</b>	42,652.08
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	65,657.42	62,054.87
Less : Depreciation		29,688.81	26,602.43
Net Block		35,968.61	35,452.44
Capital Work-in-Progress		514.35	215.55
Advances against capital expenditure		16.73	72.15
		<b>36,499.69</b>	35,740.14
<b>Investments</b>	6	<b>2,200.50</b>	1,285.09
<b>Current Assets, Loans and Advances</b>			
Inventories	7	6,599.79	6,546.22
Sundry Debtors		4,094.14	4,452.58
Cash and Bank Balances		1,839.92	3,062.41
Loans and Advances		3,076.96	4,116.65
		<b>15,610.81</b>	18,177.86
<b>Less : Current Liabilities and Provisions</b>			
Liabilities	8	12,007.70	11,125.07
Provisions		2,499.19	2,409.16
		<b>14,506.89</b>	13,534.23
<b>Net Current Assets</b>		<b>1,103.92</b>	4,643.63
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)			
Deferred Revenue Expenses		1,458.65	983.22
<b>Total</b>		<b>41,262.76</b>	42,652.08

02 ANNUAL  
24 REPORT  
03

### 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

(C.V. Thakker)  
Partner

Place : Mumbai  
Date : 1<sup>st</sup> August, 2003

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

(Rahul Divan)  
Partner

Sanjay Dalmia

Dr. B.C. Jain

H.H. Faruqi  
Directors

Place : New Delhi  
Date : 1<sup>st</sup> August, 2003

P. Sampath  
Sr. Executive Director

R.S. Jalan  
Sr. Executive Director

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



# Gujarat Heavy Chemicals Limited



## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedules	2002-2003 (Rs in lacs)	2001-2002 (Rs in lacs)
<b>INCOME</b>			
Sales- Gross		48,826.13	46,577.51
Less: Excise Duty & Sales Tax		<u>5,927.67</u>	<u>6,151.40</u>
Income from Services		228.26	—
Other Income	9	355.55	263.15
<b>TOTAL INCOME</b>		<b>43,482.27</b>	<b>40,689.26</b>
<b>EXPENDITURE</b>			
Manufacturing Expenses	10	22,745.37	22,118.60
Purchase of Trading Goods		700.97	505.49
Payments to and Provisions for employees	11	3,109.72	2,957.47
Administrative and Miscellaneous Expenses	12	2,747.44	2,316.96
Selling and Distribution Expenses	13	3,679.18	2,461.29
Excise Duty on Stock		57.66	230.53
(Increase)/Decrease in Stock	14	470.01	(696.34)
<b>SUB TOTAL</b>		<b>33,510.35</b>	<b>29,894.00</b>
Profit before Interest and Depreciation		9,971.92	10,795.26
Financial Expenses	15	1,999.59	2,864.19
Profit Before Depreciation		7,972.33	7,931.07
Depreciation		2,951.78	2,921.20
Profit Before Taxation		5,020.55	5,009.87
<b>Provision For Taxes</b>			
—Current Tax		357.28	357.27
—Deferred Tax		32.13	81.21
Profit For The Year after Tax		4,631.14	4,571.39
Balance brought forward from previous year		6,328.54	6,067.89
Balance of loss of subsidiary absorbed on Amalgamation		(1,673.79)	—
Excess/(short) provision for Tax for earlier year		(6.73)	(45.45)
Debenture Redemption Reserve written back		985.48	211.64
Amount Available For Appropriation		10,264.64	10,805.47
<b>APPROPRIATIONS</b>			
Transfer to Debenture Redemption Reserve		341.66	599.72
Transfer to General Reserve		500.00	500.00
Transfer to Capital Redemption Reserve		—	1,000.00
Proposed Dividend on Equity Shares		2,187.03	2,377.21
Tax on Dividends		280.21	—
Balance Carried To Balance Sheet		6,955.74	6,328.54
		10,264.64	10,805.47
Number of Shares outstanding (Face Value Rs. 10 per Share)		95,088,411	95,088,411
Earning per Share - Basic & Diluted		4.87	4.81

02 ANNUAL REPORT 25 03

### 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

(C.V. Thakker)  
Partner

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

(Rahul Divan)  
Partner

Sanjay Dalmia

Dr. B.C. Jain

H.H. Faruqi  
Directors

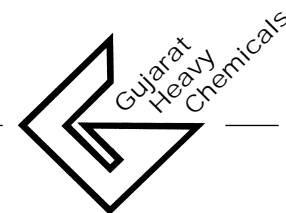
Place : New Delhi  
Date : 1<sup>st</sup> August, 2003

P. Sampath  
Sr. Executive Director

R.S. Jalan  
Sr. Executive Director

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

Place : Mumbai  
Date : 1<sup>st</sup> August, 2003



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and Extraordinary items	5,020.55	5,009.87
<b>Adjustment for :</b>		
Depreciation	2,951.78	2,921.20
Gain on Exchange	(17.01)	(46.40)
Income from Investments	(29.09)	(22.58)
Income From Dividend	(0.86)	(2.22)
Deficit on Sales/ Discarding of Fixed Assets (Net)	106.56	25.80
Provision for Doubtful Debts	0.95	1.52
Provision for Leave encashment	26.08	11.00
Financial Expenses	1,999.59	2,864.19
<b>Operating Profit before Working capital Changes</b>	<b>10,058.55</b>	<b>10,762.38</b>
<b>Adjustments for :</b>		
Trade & other Receivables	(806.51)	1,123.62
Inventories	(53.57)	(1,880.67)
Trade payables	9.83	340.37
<b>Other Adjustments</b>		
Deferred Revenue Expenditure (to the extent not written off)	(253.39)	(54.40)
<b>Cash Generated from Operations</b>	<b>8,954.91</b>	<b>10,291.30</b>
Direct taxes paid	(668.91)	(436.02)
<b>Net cash from Operating Activities</b>	<b>8,286.00</b>	<b>9,855.28</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(2,101.73)	(787.60)
Sale of Fixed Assets	98.78	93.29
Purchase of Investments	(139.56)	(138.67)
Investment/ Advances in Subsidiaries	(6.80)	(1,018.79)
Income from Investment	29.09	22.58
Interest Received	115.72	111.74
Income from Dividend	0.86	2.22
<b>Net cash used in Investing Activities</b>	<b>(2,003.64)</b>	<b>(1,715.23)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Redemption of Preference Shares	—	(1,000.00)
Proceeds from Borrowings	850.00	—
Repayment of Secured Loans	(3,602.42)	(2,316.54)
Repayment of Unsecured Loans	(253.70)	(75.09)
Gain on Exchange	17.01	46.40
Interest and Finance Charges Paid	(2,217.53)	(2,850.77)
Dividend paid	(2,332.33)	(1,650.47)
Tax on Dividend	—	(195.49)
<b>Net Cash used in Financing Activities</b>	<b>(7,538.97)</b>	<b>(8,041.96)</b>
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(1,256.61)</b>	<b>98.09</b>
<b>Cash and Cash Equivalents as at 1st April (Opening Balance)</b>	<b>3,062.41</b>	<b>2,945.25</b>
Cash and Cash Equivalents taken over on amalgamation	34.12	19.07
<b>Cash and Cash Equivalents as at 31st March (Closing Balance)</b>	<b>1,839.92</b>	<b>3,062.41</b>

02 ANNUAL REPORT 26 03

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

(C.V. Thakker)  
Partner

Place : Mumbai  
Date : 1<sup>st</sup> August, 2003

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

(Rahul Divan)  
Partner

Sanjay Dalmia  
Dr. B.C. Jain

H.H. Faruqi  
Directors

Place : New Delhi  
Date : 1<sup>st</sup> August, 2003

P. Sampath  
Sr. Executive Director  
R.S. Jalan  
Sr. Executive Director  
J.P. Mehrotra  
Sr. General Manager (Finance)  
& Company Secretary


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

	As at 31.3.2003 (Rs. in lacs)	As at 31.3.2002 (Rs. in lacs)
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
10,00,00,000 Equity Shares of Rs. 10/- each	10,000.00	10,000.00
2,50,00,000 Cumulative Redeemable Preference Shares of Rs. 10/- each	2,500.00	2,500.00
	<u>12,500.00</u>	<u>12,500.00</u>
<b>Issued, Subscribed and Paid up</b>		
9,50,88,411 Equity Shares (Previous year 9,32,50,400) of Rs. 10/- each fully paid up	9,508.84	9,325.04
Share Capital Pending Allotment	—	183.80
	<u>9,508.84</u>	<u>9,508.84</u>

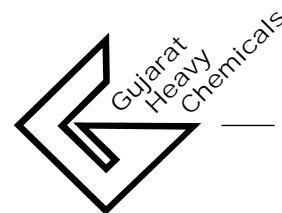
**Notes :**

1. Of the above 2,12,50,400 Equity Shares of Rs. 10/- each fully paid up were issued to Financial Institution at par on conversion of loan of Rs. 2,125.04 lacs.
2. 18,38,011 Equity Shares of Rs. 10/- each are issued as fully paid to the Shareholders of The Sree Meenakshi Mills Limited, pursuant to the Scheme of Amalgamation for consideration other than cash on 23rd July 2002.

**SCHEDULE 2 : RESERVES AND SURPLUS**

02 ANNUAL REPORT 27 03

	As at 31.3.2003 (Rs. in lacs)	As at 31.3.2002 (Rs. in lacs)
<b>CAPITAL RESERVE</b>		
Cash subsidy	22.75	22.75
Government Subsidy for Housing	2.95	2.95
Surplus on re-issue of forfeited shares	15.50	15.50
	<u>41.20</u>	<u>41.20</u>
<b>DEBENTURE REDEMPTION RESERVE</b>		
As per last Balance Sheet	2,307.21	1,919.13
Transfer from Profit and Loss Account	341.66	599.72
	<u>2,648.87</u>	<u>2,518.85</u>
Transfer to Profit and Loss Account	985.48	211.64
	<u>1,663.39</u>	<u>2,307.21</u>
<b>CAPITAL REDEMPTION RESERVE</b>		
As per last Balance Sheet	1,000.00	—
Transfer from Profit and Loss Account	—	1,000.00
	<u>1,000.00</u>	<u>1,000.00</u>
<b>INVESTMENT ALLOWANCE RESERVE</b>		
As per last Balance Sheet	1,086.00	4,640.00
Transfer to General Reserve	—	3,554.00
	<u>1,086.00</u>	<u>1,086.00</u>
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	1,141.93	4,325.00
Transfer from Profit and Loss Account	500.00	500.00
Transfer from Investment Allowance Reserve	—	3,554.00
Transfer to Deferred Tax Liability Account	—	(7,237.07)
	<u>1,641.93</u>	<u>1,141.93</u>
<b>PROFIT AND LOSS ACCOUNT</b>		
Balance as per account annexed	6,955.74	6,328.54
<b>Total</b>	<u>12,388.26</u>	<u>11,904.88</u>

**SCHEDULE 3 : SECURED LOANS**

	As at 31.3.2003 (Rs. in lacs)	As at 31.3.2003 (Rs. in lacs)
<b>DEBENTURES</b>		
14.00% Non Convertible Debentures	334.00	500.00
13.15% Non Convertible Debentures	—	500.00
13.50% Non Convertible Debentures	2,000.00	3,000.00
14.50% Non Convertible Debentures - Series-I	—	250.00
13.15% Non Convertible Debentures - Series-II	—	500.00
13.00% Non Convertible Debentures - Series-III	1,500.00	1,500.00
13.50% Non Convertible Debentures	2,750.00	2,750.00
<b>FROM BANKS</b>		
Working Capital Loans	96.95	104.18
<b>FROM OTHERS</b>		
Rupee Term Loans - Financial Institutions	2,508.10	3,135.40
Rupee Term Loans - Exim Bank	2,500.00	1,250.00
Hire Purchase Loans	0.68	2.56
<b>Total</b>	<b>11,689.73</b>	<b>13,492.14</b>

**Notes:**

1. a) Term Loan from financial institutions has been secured against first mortgage on the specified movable & immovable properties of Soda Division at (1) Village Sutrapada & Kadwar, Veraval in Gujarat (2) Noida in U.P, (3) Ahmedabad properties and hypothecation of specified movable assets of the company, both present and future.
  - b) Rupee Term Loan of Rs. 750 Lacs from Exim Bank is secured by exclusive first charge by way of equitable mortgage on immovable properties of Edible Salt Division situated at (i) Village Shelwali, Maharashtra (ii) Village Thirupurur Tamil Nadu and Hypothecation of specified movable assets both present and future of the company's Edible Salt Division.
  - c) Rupee Term Loan of Rs.850 Lacs from Exim Bank is secured by exclusive first charge by way of mortgage on core assets of Textile Division situated at Paravai and Manaparai, Tamilnadu 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.
  - d) Rupee Term Loan of Rs. 900 Lacs from Exim Bank is secured by exclusive first charge by way of hypothecation over movable fixed assets both present and future of the company's ITES Division.
2. a) 14% Non-Convertible Debentures are privately placed with Banks and will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 7th year from the date of allotment i.e. 8th December 1997 and 12th December 1997.
  - b) 13.5 % (15% upto 7.4 .2002) Non-Convertible Debentures of Rs. 2000 Lacs privately placed with Financial Institutions will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 7th year from dates of allotment i.e. 15th May, 1998, 29th June 1998 and 17th August, 1998.
  - c) 14.5% Non-Convertible Debentures Series - I privately placed with Bank has been redeemed at par at the end of the 4th year from the date of allotment i.e. 9th November 1998.
  - d) 13% Non-Convertible Debentures Series - III are privately placed with Financial Institutions and will be redeemed at par in 3 equal installments at the end of 5th, 6th and 7th year from the date of allotment i.e. 2nd December 1998. Effective from 1.10.2002 , coupon rate of 15% has been reduced to 13%.
  - e) 13.5% Non-Convertible Debentures are privately placed with Financial Institutions and will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 7th year from the date of allotment i.e. 28th April 2000, 25th August 2000 and 6th November 2000.
  - f) All the above Non convertible debentures except (13.50% - Rs. 2750 Lacs Non convertible debentures) are secured by registered mortgage in favour of the Trustee on immovable properties of Soda Ash Division situated at (i) Village Sutrapada near Veraval and Ahmedabad in Gujarat, (ii) Noida in Uttar Pradesh (iii) Kadwar, Taluka Veraval, in Gujarat both present and future ranking pari-passu with the charge referred to in note 1 (a) above and hypothecation of specified movable assets of Soda Ash Division.
  - g) 13.50% - Rs. 2750 Lacs Non convertible debentures are secured by registered mortgage in favour of the Trustees on immovable properties of Soda Ash Division situated at Village Sutrapada near Veraval in Gujarat, both present and future ranking pari-passu with the charge referred to in note 1 (a) and 2 (h) above and hypothecation of specified movable assets of Soda Ash Division.
- 3) Working Capital Loans from Banks are secured by way of hypothecation of stock in trade and book debts and second charge on other movable assets including plant & machinery and immovable assets of the Soda Ash Division, both present and future.
- 4) Specified movable assets referred to in the above notes include all movable assets of Soda Ash Division (save and except book debts and assets acquired on Hire Purchase) both present and future but subject to prior charge created and/or that may be created in favour of Company's Bankers on stock-in-trade for securing borrowing for working capital.
- 5) Hire Purchase Loans are secured against specific assets acquired on Hire Purchase.

**SCHEDULE 4 : UNSECURED LOANS**

	<b>As at 31.3.2003 (Rs. in lacs)</b>	As at 31.3.2002 (Rs. in lacs)
Fixed Deposits	<b>101.84</b>	355.42
Other Loans and Advances:		
Interest-free Sales Tax loan	<b>72.40</b>	72.52
<b>Total</b>	<b>174.24</b>	427.94

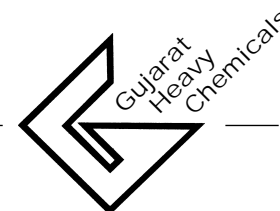
**SCHEDULE 5 : FIXED ASSETS**

(Rs. in lacs)

PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.4.2002	Assets Acquired on Amalgamation	Additions (Deletions)	As at 31.3.2003	As at 01.4.2002	Adjustment on Amalgamation	Additions (Deletions)	As at 31.3.2003	As at 31.3.2003	As at 31.3.2002
Goodwill	262.32			262.32	52.46		52.47	104.93	157.39	209.86
Leasehold Land	600.62			600.62	59.42		5.93	65.35	535.27	541.20
Freehold Land	4,973.34			4,973.34	0.00		0.00	0.00	4,973.34	4,973.34
Buildings	7,811.81		384.21 (74.25)	8,121.77	1,482.08		183.32 (2.48)	1,662.92	6,458.85	6,329.73
Plant and Machinery	45,567.74	876.26	2,128.94 (162.81)	48,410.13	22,941.45	168.12	2,597.68 (45.67)	25,661.58	22,748.55	22,626.29
Salt Works Reservoirs and Pans	1,324.96			1,324.96	1,324.96		—	1,324.96	—	—
Furniture and Fixtures	400.59	336.81	3.15 (0.06)	740.49	173.04	28.30	27.00 (0.01)	228.33	512.16	227.55
Office Equipments	855.52	37.59	58.06 (6.19)	944.98	470.06	5.85	60.78 (2.68)	534.01	410.97	385.46
Vehicles	257.97		50.54 (29.70)	278.81	98.96		24.60 (16.83)	106.73	172.08	159.01
<b>Total</b>	<b>62054.87</b>	<b>1250.66</b>	<b>2624.90 (273.01)</b>	<b>65657.42</b>	<b>26602.43</b>	<b>202.27</b>	<b>2951.78 (67.67)</b>	<b>29688.81</b>	<b>35968.61</b>	<b>35452.44</b>
Previous Year	61505.82		691.29 (142.24)	62054.87	23704.39		2921.20 (23.16)	26602.43	35452.44	-

1. Building include a sum of Rs. 91.36 Lacs ( Previous Year Rs. 91.36 Lacs ) being cost of office premises acquired on ownership basis.





**SCHEDULE 6 : INVESTMENTS**

	<b>As at 31.3.2003 (Rs. in lacs)</b>	<b>As at 31.3.2002 (Rs. in lacs)</b>
<b>LONG TERM INVESTMENTS (AT COST) OTHER THAN TRADE</b>		
<b>Unquoted</b>		
Govt securities - 7 year National Savings Certificates (Pledged with Central Excise and other Authorities) (NSCs encashed during the year is Rs. 2.75 Lacs and adjusted is Rs. 0.55 Lacs.)	7.77	11.07
5000 Equity Shares of Rs 10/- each fully paid up of GHCL Co-operative Society Limited.	0.50	0.50
1277800 Equity shares of Rs. 10/- each fully paid up of DSS Mobile Communications Limited.	146.95	146.95
3950000 Equity shares of Rs. 10/- each fully paid up of SDT Enterprises Private Limited	454.25	454.25
10 Equity shares of Rs. 10/- each fully paid up of Kodaikanal Co op Stores Limited (Rs.100/-)		
50 Equity shares of Rs. 20/- each fully paid up of Pudukottai Central Co op Supply & Marketing Society Limited.	0.01	0.01
10 Equity shares of Rs. 10/- each fully paid up of Pandian Co op Super Market Limited. (Rs. 100/-)		
NIL (3) Equity shares of GHCL Overseas Limited of Rs. 10/- each fully paid up (Rs. NIL) (previous year Rs. 30)		
100 15.75% Secured redeemable Non Convertible Bonds Rs. 50000 each of Krishna Bhagya Jal Nigam Limited	50.00	50.00
17.5% Rajasthan State Electricity Board Bonds (Face value Rs. 20.00 lacs) (Partly redeemed during the year)	19.50	39.00
15 15.5% Secured redeemable non convertible regular return Bonds of Rs. 100000 each of Sardar Sarovar Narmada Nigam Limited.	15.00	15.00
<b>Shares in subsidiary company</b>		
NIL (Previous Year 3000000) Equity shares of Rs. 10 each fully paid up of Icon Data Management Ltd. extinguished pursuant to the Scheme of Amalgamation:	—	300.00
50050 Equity shares of Rs. 10. each fully paid of Colwell and Salmon Communications India Ltd. (Subscribed during the year)	5.01	—
1379.6 shares of US \$ 1.00 each fully paid up of Colwell & Salmon Communication Inc, USA (acquired on Amalgamation)	1069.05	—
<b>Quoted</b>		
16300 Equity shares of IDBI Bank Limited. of Rs. 10/- each fully paid up	2.93	2.93
8300 Equity shares of HDFC Bank Limited of Rs. 10/- each fully paid up	0.83	0.83
57120 Equity shares of IDBI Limited of Rs. 10/- each fully paid up )	46.41	46.41
1860 Equity shares of Gnanambigai Mills Limited of Rs. 10/- each fully paid up	0.21	0.21
10 Equity shares of Sree Uma Parameshwary Mills Limited of Rs. 10/- each fully paid up (Rs.100/-)		
4500 Equity shares of Canara Bank of Rs. 10/- each fully paid up (Subscribed during the year)	1.58	—
<b>CURRENT INVESTMENTS (UNQUOTED)</b>		
NIL Units of PruICICI Gilt Fund (Previous Year 193914 units at Rs. 10.3136) (Sold during the year)	—	19.93
872260.192 Units of JM High Liquidity Fund - Growth at Rs. 16.7381 (Previous Year 185185.18 units at Rs. 10.80)	146.00	20.00
NIL Units of Grindlays Cash Fund (Previous Year 626239.43 units at Rs. 10.5391 sold during the year)	—	66.00
NIL Units of Zurich India Income Fund (Previous Year 956218.04 units at Rs. 11.7128, sold during the year)	—	112.00
8008.918 Unit of Templeton India Treasury Management Growth at Rs. 1504.5728 per Unit (purchased during the year)	120.50	—
943021.6398 Units of Kotak Mahendra Liquid Institutional Plan - Growth at Rs. 12.0888 per unit (purchased during the year)	114.00	—
	<b>2200.50</b>	<b>1285.09</b>
	<b>As at 31.3.2003</b>	<b>As at 31.3.2002</b>
	<b>Book Value</b>	<b>Market Value</b>
Quoted	51.96	35.20
Unquoted	2,148.54	50.38
	<b>2,200.50</b>	1,234.71
Figures of Rs. 500 or less have been shown at actuals in brackets.	<b>2,200.50</b>	1,285.09





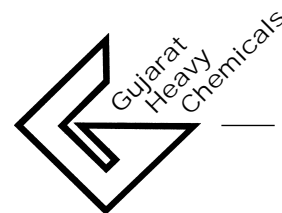
DETAILS OF INVESTMENTS PURCHASED & SOLD DURING THE YEAR 2002-03

Particulars	No.of units
BIRLA Cash Plus - Growth	156,737
BIRLA Bond Plus - Growth	2,487,808
HDFC Short Term Plan - Growth	505,215
HDFC Liquid fund - Growth	3,628,561
IDBI Principal Income fund STP Growth	500,000
Prudential ICICI Short Term Plan- Cumulative	247,705
IL&FS Bond Fund -Bonus Plan	482,694
Templeton floating rate income fund -Short Term Plan- Growth	4,419,485
Templeton India Short Term Income Plan- Growth	8,221
Templeton India Treasury Management Account- Growth	170,601
Templeton India Liquid Fund - Growth Plan	822,049
Grindlays Cash Fund- Growth	45,761,337
Grindlays Super Saver Income fund STP - Growth	18,882,137
K Bond (Wholesale Plan)- Bonus Option	189,912
K Bond Short Term Plan - Growth	9,086,514
Kotak Mahindra Liquid Institutional Plan - Growth	6,587,673
Kotak Mahindra Liquid Scheme - Growth	22,302,111
JM High Liquidity fund -Growth Plan	15,960,439
JM Short Term fund- Growth Plan	6,178,131
JM Income Fund Growth -Bonus	185,185
Zurich India High Interest Fund STP - Growth	7,130,828
Zurich India Liquidity Fund Saving Plan Growth	90,940,463
Birla Sun Life Mutual Fund	6,398
	<b>23,66,40,202</b>

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

	As at 31.3.2003 (Rs in lacs)	As at 31.3.2002 (Rs in lacs)
<b>CURRENT ASSETS</b>		
<b>Inventory (as taken, valued and certified by the Management)</b>		
At cost or net realisable value whichever is lower		
Raw materials	3,383.27	2,513.46
Finished goods	949.30	1,445.18
Stock in process	147.14	121.27
Stores and spares	2,120.08	2,466.31
<b>Total</b>	<b>6,599.79</b>	<b>6,546.22</b>
<b>Sundry Debtors (Unsecured, considered good unless stated otherwise)</b>		
Outstanding over six months		
Considered good	144.97	63.76
Considered doubtful	5.36	4.41
Provision for Doubtful Debts	(5.36)	(4.41)
Other debts	144.97	63.76
<b>Total</b>	<b>3,949.17</b>	<b>4,388.82</b>
<b>Cash &amp; Bank Balances</b>		
Cash balance on hand	19.78	13.96
Balances with Scheduled Banks		
In Current Accounts	1,222.79	18.69
In Fixed deposit	381.43	2,222.94
Remittances in transit	215.92	806.82
<b>Total</b>	<b>1,839.92</b>	<b>3,062.41</b>
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received		
Due from wholly owned Subsidiary Company	2,477.27	2,879.59
Interest Accrued on Investments	1.79	891.10
Balances with Customs, Port Trust, Central excise etc.,	8.22	12.39
Income Tax paid/Tax Deducted at Source (net of provisions)	240.50	289.28
Fixed Deposits with Sardar Sarover Narmada Nigam Ltd. (pledged with Collector of Bhavnagar)	338.18	33.29
	11.00	11.00
<b>Total</b>	<b>3,076.96</b>	<b>4,116.65</b>



**SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS**

	As at 31.3.2003 (Rs. in lacs)	As at 31.3.2002 (Rs. in lacs)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors for Goods and Expenses	4,276.47	4,534.32
Sundry Creditors for Capital Expenditure	898.67	132.62
Sundry Creditors-Small Scale Industrial Undertakings	9.66	10.20
Advances from Customers	313.86	768.63
Trade Deposits from Dealers	115.18	130.69
*Investor Education & Protection Fund shall be credited by		
–Unclaimed Dividend	199.89	155.01
–Unclaimed Fixed Deposits	25.78	46.00
–Interest Accrued on Unclaimed Fixed Deposits	3.48	5.05
Other liabilities	6,107.15	5,198.05
Interest accrued but not due	57.56	144.50
<b>Total</b>	<b>12,007.70</b>	<b>11,125.07</b>
<b>PROVISIONS</b>		
Wealth Tax	31.95	31.95
Proposed Dividends On Equity Shares	2,187.03	2,377.21
Tax on Dividends	280.21	—
<b>Total</b>	<b>2,499.19</b>	<b>2,409.16</b>

\*The figure reflects the position as of 31st March 2003. 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**

	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
Income on Investments (other than trade)	29.09	22.58
(Tax Deducted at Source Rs. 3.22 lacs, Previous year Rs. 3.76 lacs)		
Dividend Income	0.86	2.22
(Tax Deducted at Source Rs. 0.09 lacs, Previous year NIL)		
Gain on Exchange (net)	17.01	46.40
Profit on sale of assets (net)	—	5.70
Profit on sale of Investment	17.57	—
Recovery from Bad debts	2.65	33.06
Claims Received	114.28	—
Sundry Credit Balances Written back	82.32	—
Miscellaneous income	91.77	153.19
<b>Total</b>	<b>355.55</b>	<b>263.15</b>

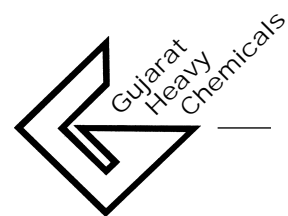
**SCHEDULE 10 : MANUFACTURING EXPENSES**

	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
Raw Materials consumed	11,600.03	11,530.57
Stores and Spares	1,264.35	1,599.11
Repairs and Maintenance		
Machinery	713.92	571.65
Building	35.97	87.40
Others	67.33	22.63
Power, Fuel and Water	817.22	681.68
Other Manufacturing Expenses	6,967.92	6,517.75
Packing Expenses	879.40	583.22
	1,216.45	1,206.27
<b>Total</b>	<b>22,745.37</b>	<b>22,118.60</b>

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

	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
Salaries, Wages and Bonus	2,480.48	2,335.23
Contribution to PF and other funds	413.44	462.43
Staff Welfare	189.72	148.81
Provision for Leave Encashment	26.08	11.00
<b>Total</b>	<b>3,109.72</b>	<b>2,957.47</b>



**SCHEDULE 12 : ADMINISTRATIVE AND MISCELLANEOUS EXPENSES**

	<b>2002-2003</b> <b>(Rs. in lacs)</b>	2001-2002 (Rs. in lacs)
Travelling & Conveyance	554.87	439.71
Rent and Lease Rent	145.75	158.91
Rates and Taxes	44.75	18.77
Insurance	327.96	317.10
Auditors' Remuneration	11.17	10.57
Commission to Directors	121.72	84.79
Communication Expenses	192.55	171.54
Legal & Professional Expenses	408.88	378.62
Miscellaneous Expenses	507.86	416.38
Deferred Revenue Expenditure Written Off	300.22	283.43
Bad Debts / Irrecoverable amounts written off (net)	24.20	4.13
Provision for Doubtful Debts	0.95	1.52
Deficit on Sales/Discarding of Fixed Assets (Net)	106.56	31.49
<b>Total</b>	<b>2,747.44</b>	<b>2,316.96</b>

**SCHEDULE 13 : SELLING AND DISTRIBUTION EXPENSES**

	<b>2002-2003</b> <b>(Rs. in lacs)</b>	2001-2002 (Rs. in lacs)
Cash Discount	434.44	362.34
Freight and Forwarding	2,705.08	1,665.69
Commission on Sales	535.39	428.41
Rent on Godowns	4.27	4.85
<b>Total</b>	<b>3,679.18</b>	<b>2,461.29</b>

02 **33** 03  
ANNUAL  
REPORT

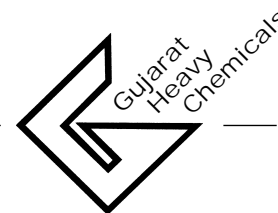
**SCHEDULE 14 : (INCREASE)/DECREASE IN STOCK**

	<b>2002-2003</b> <b>(Rs. in lacs)</b>	2001-2002 (Rs. in lacs)
<b>Opening Stock</b>		
Finished Goods	1,423.24	775.75
Trading Goods	21.94	31.39
Stock in Process	121.27	62.97
<b>Closing Stock</b>		
Finished Goods*	949.30	1,423.24
Trading Goods	—	21.94
Stock in Process	147.14	121.27
(Increase)/Decrease in Stock	<b>470.01</b>	<b>(696.34)</b>

\* Previous year includes Finished goods Rs. 655.50 lacs taken over consequent to Scheme of Amalgamation of the Sree Meenakshi Mills Limited with the Company.

**SCHEDULE 15 : FINANCIAL EXPENSES**

	<b>2002-2003</b> <b>(Rs. in lacs)</b>	2001-2002 (Rs. in lacs)
Interest - Fixed Loans	1,627.35	2,019.04
- Others	168.95	283.17
Other Financial Charges	319.01	673.72
	<b>2,115.31</b>	<b>2,975.93</b>
Less: Interest Income	115.72	111.74
	<b>1,999.59</b>	<b>2,864.19</b>




---

**SCHEDULE 16 : NOTES ON ACCOUNTS**


---

**1. SIGNIFICANT ACCOUNTING POLICIES****General**

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

**Revenue Recognition**

Sales represent value of goods sold as reduced by quality claims and rebates but includes excise duty, sales tax and export benefits under Duty Entitlement Pass Book Scheme.

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

**Fixed Assets and Depreciation**

Fixed Assets are stated at cost less depreciation. Depreciation is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Continuous process plant as defined therein have been taken on technical assessment and depreciation is provided accordingly. Assets acquired during the year whose cost does not exceed Rs. 5000 are fully depreciated in the year of acquisition.

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

**Investments**

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

**Inventories**

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

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

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

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

**Foreign Currency Transactions**

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

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

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

Foreign Currency Account with the Bank is converted at the rates prevailing on the date of the Balance Sheet.

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

**Retirement Benefits**

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

The Company has taken a Group Gratuity Policy for payment of gratuities to the retiring employees and the premiums paid to LIC is charged to the Profit and Loss Account. In the case of Yarn division, provision for gratuity has been made on the basis of actuarial valuation.

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

**Deferred Revenue Expenditure**

Deferred Revenue expenses are amortized / written off over the number of years in which the benefits are expected to accrue to the Company as determined by the Management.

**Borrowing Cost**

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

**Leases**

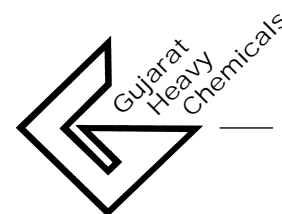
Leases entered into before 1st April 2001 are treated as operating leases and lease rental paid are charged to profit and loss account. Leases entered into on or after 1st April, 2001 are to be accounted in accordance with AS - 19 Leases, issued by the Institute of Chartered Accountants of India.

**Goodwill**

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

**Taxation**

Income - tax expenses comprises current tax and deferred tax charge or credit. The deferred tax assets and liability is calculated



by applying tax rate and tax laws that have been enacted at the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation ( due to amalgamation) under tax laws, are recognised, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing difference are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to re-assess realisation

**Change in Accounting Policy  
Inventories**

Hitherto the company was adjusting spares on consumption basis. From the current year 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. Due to this change, the profit for the year and Stores and Spares inventory is less by Rs. 76.15 Lacs.

	<b>As at 31.3.2003 (Rs. in lacs)</b>	<b>As at 31.3.2002 (Rs. in lacs)</b>
2. (a) Estimated value of contracts remaining to be executed on Capital Account and not provided for.	<b>214.26</b>	126.51
(b) Contingent Liabilities :		
(i) Guarantees issued by banks	<b>539.37</b>	171.77
(ii) Letters of Credit	—	6.42
(iii) Bills discounted with banks (Since realised)	<b>705.94</b>	771.66
(iv) Claims against the Company not acknowledged as debts		
- Income Tax and Wealth Tax	<b>347.14</b>	—
- Sales Tax	<b>213.10</b>	—
- Excise matters	<b>125.36</b>	196.87
- Other claims	<b>262.53</b>	203.68
(v) Corporate guarantee to Bank & Customs on behalf of erstwhile wholly owned subsidiary of the company	—	1,125.00
(c) Outstanding Commitments on Finance Lease rentals	<b>2.86</b>	189.31

3. Advances recoverable in cash or in kind include Rs.450 lacs (Previous year Rs.450 lacs) paid as advance towards purchase of Salt fields at Vedaranyam (Tamilnadu). Application for transfer of lease rights/extension of lease period which has expired in March 2003, has been filed with Appropriate Authorities. The said advances are secured by Bank Guarantee for the equivalent amount..

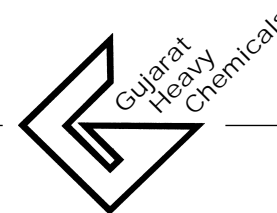


**4. Disclosure in respect of Amalgamation in accordance with AS -14 Accounting for Amalgamation**

Name	Transferor Company	Icon Data Management Ltd wholly owned subsidiary of the Transferee Company
	Transferee Company	Gujarat Heavy Chemicals Ltd.
General Nature of Business of Amalgamating Companies	Transferor Company	IT Enabled Services
	Transferee Company	Manufacturing of Soda Ash Edible Salt & Yarn
Effective Date of Amalgamation for accounting purposes	1st February, 2003	
The method of accounting used to reflect the amalgamation	Polling of Interest Method	
Particulars of the Scheme sanctioned under section 391/394 of the Companies Act, 1956	Pursuant to the Scheme of Amalgamation approved by Hon'ble High Court of Gujarat vide their order dated 17/03/2003 all the assets and liabilities of the Transferor Company has been accounted for under Pooling of Interest Method in the books of the Transferee Company as per Accounting Standard 14. The entire Share Capital of the transferor Company and investment in transferee company stands automatically cancelled.	

**5. Additional Disclosure on Amalgamation**

- a) The company has acquired 69% of the equity of Colwell & Salmon communications, Inc. USA under the Scheme of Amalgamation with erstwhile Icon Data Management Limited and as per the Stock Purchase Agreement will acquire further 14.33% in the said company (7.00% on 31st October 2003 and 7.33% on 10th January 2005 i.e .140 fully paid up equity shares at US\$ 0.21 million and 147 fully paid up equity shares at US\$ 0.22 million respectively). The company has also committed to pay a deferred contingent considerations of US \$ 0.50 million to the sellers by December 31, 2003 upon their fulfilling certain conditions.
- b) The Company has given a Corporate Guarantee of Rs. 125 lacs to the Custom authorities for Duty free import of Capital goods which is still outstanding.
- c) The export obligation on account of duty free import aggregating to Rs. 1345.32 lacs remains outstanding as on date.
6. Financial Expenses include Rs. 177.13 lacs ( Previous year Rs. 544.70 lacs ) on lease rentals paid on machinery acquired on Financial Lease.
7. Provision for taxation includes Rs. 2.00 lacs (previous year Rs. 2.00 lacs) for wealth tax and current income tax Rs. 355.28 lacs (previous year Rs. 355.27 lacs) and deferred tax charges of Rs. 32.13 lacs (previous year Rs. 81.21 lacs).
8. i) Fixed Deposits include Rs. 94.91 lacs (Previous year Rs. 239.67 lacs) due within one year.
- ii) Interest Free Sales Tax Loan include Rs. 14.47 lacs (Previous Year Rs. 0.12 lacs) due within one year.



- 9 Sundry Debtors , Creditors and Loans and Advances are subject to confirmation and consequential adjustment, if any.
- 10 Unquoted Investments include equity shares of Rs. 146.95 lacs ( Previous Year : Rs. 146.95 lacs ) , Rs. 454.25 lacs (Previous Year: Rs. 454.25 lacs), Nil ( Previous Year : Rs. 300 lacs), Rs. 5.01 lacs ( Previous Year : Rs. Nil) and Rs. 1069.00 lacs ( Previous Year: Rs. Nil) in DSS Communications Limited, SDT Enterprises Private Limited, Icon Data Management Limited, Colwell & Salmon Communications (India) Limited and Colwell & Salmon Communications, Inc., USA respectively. These investments are of long term strategic value. In the opinion of the management the current diminution in the value of these investments is temporary in nature considering the inherent value and nature of investee's business proposals.
- 11 Borrowing costs capitalised during the year Rs. 23.45 lacs (Previous year Rs. 5.01 lacs)
- 12 The value of Finished Goods include excise duty not paid Rs. 57.66 lacs ( previous year Rs. 230.53 lacs) .This has however, no impact on the profit for the year.
- 13 Pending completion of relevant formalities for transfer of some of the assets acquired pursuant to the Scheme of Amalgamation, in the name of the Company, such assets continue to be in the name of erstwhile The Sree Meenakshi Mills Limited.
- 14 Pending registration of sale deed, Agreements for sale have been concluded in respect of 558 colony houses of Yarn Division at Madurai as on 31.03.2002 for a total sale consideration of Rs.99.84 lacs and the Company has received the sum of Rs.92.71 lacs towards sale consideration.
- 15 In terms of a scheme under which the company has availed subsidy of Rs.2.94 lacs for colony houses at Madurai which are under sale, the Government has the right to recover the amount of subsidy together with interest thereon, if the stipulated conditions at the time of disbursements are not adhered to.
- 16 The Loans & Advances include ( i ) Rs. 34000/- Advance against accommodation paid to the Director (Previous Year -Nil) Maximum outstanding balance during the year Rs.34000/-(Previous Year- Nil) and lease rent includes Rs. 102000 paid to the Directors (Previous Year -Nil). ( ii ) Rs. Nil Advance paid to the Officers of the Company (Previous Year - Rs.73333/-). Maximum outstanding balance during the year Rs. 73,333/- (Previous year - Rs. 80,000/-)

**17 Related Party Transactions:**

- a Subsidiary :**  
Icon Data Management Limited - till 31st Jan., 2003  
Colwell & Salmon Communications (India) Limited  
Colwell & Salmon Communications Inc, USA
- b Associates :**  
SDT Enterprises Private Limited
- c Key Management Personnel:**  
S K Mukherjee, Managing Director  
P Sampath, Executive Director - Finance  
R S Jalan, Executive Director - Textiles  
Tej Malhotra, Executive Director -Works  
N S Ramachandran, Executive Director - Marketing  
K K Ahuja, Executive Director - HR
- d Relative of Key Management Personnel:**  
Sashi Malhotra w/o Tej Malhotra

**Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March, 2003**

Type of Transactions	Subsidiary	Associates	Rs. lacs	
			Key Management Personnel	Relative of Key Management Personnel
1. Purchase or Sale of Fixed Assets			0.06	
2. Leasing & Hire purchase transactions			1.02	1.02
3. Finance:				
- Loans	1755.50			
- Advances for Rental Accommodation			0.34	
- Equity	1074.06			
4. Services	112.95			
5. Guarantees & Collaterals	205.41			
6. Remuneration			178.99	
7. Balances as aon 31st March, 2003				
- Investments	1074.06	454.25		
- Loans & Advances	1.79			
- Advances for Rental Accommodation			0.34	
- Debtors	72.55			
- Creditors	4.54			



# Gujarat Heavy Chemicals Limited



	As at 1.4.2002	Taken Over on amalgamation of erstwhile IDML	Current Year Charge/ ( Credit)	As At 31.3.2003
<b>18 Deferred Tax</b>				
a) Deferred tax liability on account of:				
i) Depreciation	7,096.71	88.22	(23.17)	7,161.76
ii) Others				
Deferred Revenue Expenditure	242.70	65.11	60.85	368.66
	<b>7,339.41</b>	<b>153.33</b>	<b>37.68</b>	<b>7,530.42</b>
b) Deferred tax assets on account of:				
i) Employee Benefit	1.53	2.05	1.24	4.82
ii) State & Central Taxes & Cess	19.60	—	4.31	23.91
	<b>21.13</b>	<b>2.05</b>	<b>5.55</b>	<b>28.73</b>
<b>Total</b>	<b>7,318.28</b>	<b>151.28</b>	<b>32.13</b>	<b>7,501.69</b>

c) In accordance with Accounting Standard 22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, the deferred tax charges of Rs. 32.13 lacs ( Previous Year Rs. 81.21 lacs) for the year has been recognised in the Profit & Loss Account.

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

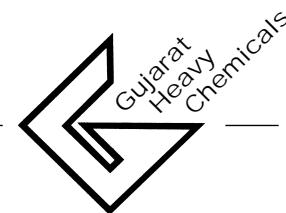
	<b>2002-2003 (Rs. in lacs)</b>	2001-2002 (Rs. in lacs)
Manufacturing Expenses	<b>1354.91</b>	1263.58
Stores and spares consumed	<b>35.21</b>	37.52
Power and fuel	<b>250.02</b>	232.67
Cess and Royalty	<b>347.21</b>	321.34
Repairs and maintenance-		
Building	<b>7.02</b>	4.00
Plant and machinery	<b>29.80</b>	24.35
Earth work	<b>70.21</b>	102.35
Others	<b>40.69</b>	12.58
Salaries and Wages	<b>567.48</b>	469.73
Travelling & Conveyance	<b>18.47</b>	22.75
Lease Rent	<b>115.32</b>	115.68
Rates and taxes	<b>1.98</b>	10.67
Insurance	<b>6.14</b>	29.97
Interest - Fixed Loan	<b>55.23</b>	103.62
Misc. Expenses ( Including Deferred Revenue Expenses)	<b>238.31</b>	175.05
Less: Interest on Investments (other than trade)	<b>(1.26)</b>	(1.48)
Other Misc. Income	<b>(60.38)</b>	(15.07)
	<b>3,076.36</b>	<b>2,909.31</b>

	<b>2002-2003 (Rs. in lacs)</b>	2001-2002 (Rs. in lacs)
<b>20 Auditors' Remuneration includes :</b>		
(a) To Statutory Auditors :		
Audit fee	<b>6.00</b>	6.00
Tax Audit Fee	<b>0.60</b>	0.60
Certification and Review Report	<b>2.85</b>	2.88
Out of pocket expenses (Incl. Service Tax)	<b>0.85</b>	0.56
(b) To Cost Auditors :		
Audit Fee *	<b>0.77</b>	0.50
Out of pocket expenses (Incl. Service Tax)	<b>0.10</b>	0.03

\* includes Rs. 13,500/ = pertaining to year 2001-02.



# Gujarat Heavy Chemicals Limited



	<u>2002-2003</u> (Rs. in lacs)	<u>2001-2002</u> (Rs. in lacs)
21 Managerial Remuneration		
(a) Wholetime Directors		
Salaries	71.47	45.30
Contribution to Provident and Superannuation funds	10.99	7.87
Perquisites	17.54	15.68
Gratuity & Leave encashment	2.27	1.67
Commission	76.72	55.00
(b) Other Directors		
Sitting Fees	4.05	3.16
Commission	45.00	29.79
(c) Computation of Net Profit as per Section 349 / 350 of the Companies Act, 1956		
Profit for the year (as per Profit & Loss Account)	4,631.14	4,571.39
Add :		
Provision for Taxation (Current & Deferred)	389.41	438.48
Depreciation (as per Accounts)	2,951.78	2,921.20
Deficit on sales/Discarding of Fixed Assets (Net)	106.56	31.49
Managerial Remuneration	228.04	158.46
Provision for Doubtful Debts	0.95	1.52
Deferred Revenue expenses charged to Profit and Loss Account	420.27	283.42
	<u>8,728.15</u>	<u>8,405.96</u>
Less :		
Depreciation u/s 350	2,951.78	2,921.20
Deficit on sales/Discarding of Fixed Assets (Net)	106.56	31.49
Profit on sale of Investment	17.57	0.00
Deferred Revenue expenses	895.70	452.83
	<u>4,756.54</u>	<u>5,000.44</u>
Net Profit u/s 349 of the Companies Act, 1956		
Commission payable to :-		
— Managing Director and Whole time Directors as decided by the Board	76.72	55.00
— Non-Wholetime Directors as decided by the Board prorata for the period of service.	45.00	29.79
22 Expenditure in Foreign Currencies:		
Foreign Travel	58.49	41.80
Commission on Export Sales	91.85	52.60
Others	56.71	42.48
23 Remittances during the year in foreign currency on account of dividend		
The Company has paid dividend in respect of shares held by Non Resident.		
The exact amount of dividend remitted in foreign currency cannot be ascertained. The total amount remittable in this respect is given herein below:		
Dividends to non-resident shareholders (Gross)	110.58	81.08
Dividend for the financial year :		
Number of Non-resident Shareholders :	2001-02 1,094	2000-01 1,136
Number of Shares :	4,423,308	4,504,700
24 Earnings in foreign exchange		
(a) Export of Finished Goods on F.O.B basis	7,426.26	3,821.85
(b) Recovery towards Freight etc. on Exports	1,135.02	634.37
(c) Export Income from Services	227.08	—
(d) Others	0.31	—
25 Value of imports on CIF Basis:		
Raw Materials and Utilities	3,858.69	4,683.28
Components and spare parts	70.88	270.52
Capital Goods	631.82	4.23



# Gujarat Heavy Chemicals Limited



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

### (a) Capacity (as certified by the management)

		2002-2003		2001-2002	
		Installed	Licensed	Installed	Licensed
Soda Ash	MT.	525,000	N.A.	525,000	N.A.
Refined Salt	MT.	200,000	N.A.	200,000	N.A.
Yarn-Spindles	no.	60,664	N.A.	63,472	N.A.
Rotors	no.	384	N.A.	384	N.A.

	UNIT	2002-2003		2001-2002	
		MT	Rs. in lacs	MT	Rs. in lacs
(b) Opening Stock					
Soda Ash	MT.	19,789	1063.78	1,278	64.33
Refined Salt	MT.	1,691	25.05	3,692	55.92
Cotton Yarn	MT.	184	189.95	297	396.76
PC Yarn	MT.	115	115.80	197	214.37
Others			50.60		75.76
			<b>1445.18</b>		<b>807.14</b>

(c) Production					
Soda Ash	MT.	504,689		485,400	
Refined Salt	MT.	76,797		94,560	
Cotton Yarn	MT.	3,152		2,513	
PC Yarn	MT.	1,363		1,263	
Raw Salt	MT.	30,191		10,602	

(d) Purchase of Trading Goods 700.97 505.49

(e) Consumption for internal use.  
Soda Ash\* 16,893 15,225

(f) Sales					
Soda Ash	MT.	500,122	40,308.96	451,664	38,829.31
Refined Salt	MT.	75,393	1,272.75	96,561	1,592.33
Cotton Yarn	MT.	3,022	4,111.82	2,628	3,918.61
PC Yarn	MT.	1,418	1,771.65	1,345	1,546.73
Raw Salt	MT.	30,191	113.41	10,602	51.45
Others			1,247.54		639.08
			<b>48,826.13</b>		<b>46,577.51</b>

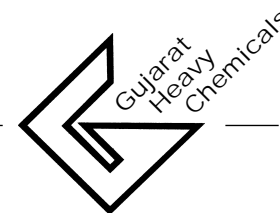
(g) Closing Stock					
Soda Ash	MT.	7,463	336.62	19,789	1,063.78
Refined Salt	MT.	3,095	46.18	1,691	25.05
Cotton Yarn	MT.	314	475.77	184	189.95
PC Yarn	MT.	60	71.96	115	115.80
Others			18.77		50.60
			<b>949.30</b>		<b>1,445.18</b>

\* Including transit differences.

(h) Consumption of Raw Materials and Consumables					
Salt		990,928	3,702.45	1,001,509	3,976.71
Lime Stone		934,313	1,862.66	988,322	1,829.55
Hard Coke		50,944	2,562.71	45,233	2,621.71
Cotton & Staple Fibre		6,014	3,010.59	4,788	2,701.97
Other Chemicals			461.62		400.63
			<b>11,600.03</b>		<b>11,530.57</b>



# Gujarat Heavy Chemicals Limited



(i) Consumption of Raw Materials, Stores and Spares	2002-2003		2001-2002	
	Value of Consumption	% AGE	Value of Consumption	% AGE
Raw Materials:				
Imported	1,451.41	12.51%	2,195.00	19.04%
Indigenous	10,148.62	87.49%	9,335.57	80.96%
	<b>11,600.03</b>	<b>100.00%</b>	<b>11,530.57</b>	<b>100.00%</b>
Stores and Spares				
Imported	103.22	8.16%	365.18	22.84%
Indigenous	1,161.13	91.84%	1,233.93	77.16%
	<b>1,264.35</b>	<b>100.00%</b>	<b>1,599.11</b>	<b>100.00%</b>

## 27. Deferred Revenue Expenditures:

Deferred Revenue Expenditures Comprises of

### a Voluntary Retirement Scheme expenses

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

### b Salt Pans

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

### c Software

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

### d Infrastructure and others

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

### e Prepayment Premium

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

28. Sundry Creditors includes Rs.3.82 lacs (Previous Year Rs. 10.20 Lacs) due to small scale industrial undertakings to the extent identified from the records of the company as outstanding for more than 30 days from the following parties.

	Rs. Lacs
— Gowtham Paper Products	1.65
— Priya Textile Cones	2.09
— Sri Venkateshwara Packagings	0.08

29. Disclosure as per amendment to 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 31.03.03	Max Balance outstanding during the year	Investment in shares of the Company
Colwell & Salmon Communications India Limited	Subsidiary	1.79	1.79	NIL
Icon Data Management Limited	Subsidiary (Upto 31.01.03)	NIL	2,644.81	NIL (Upto 31.01.03)

### ii) Loans and Advances in the nature of Loans where there is no interest : Employee Loans Rs . 98.59 Lacs

30 Current year figure's are not comparable with previous year due to effect of Amalgamation of the Icon Data Management Limited wholly owned subsidiary of the Company effective 1st February, 2003.

31 Previous year's figures have been regrouped wherever necessary.

As per our report attached

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

(C.V. Thakker)  
Partner

Place : Mumbai  
Date : 1<sup>st</sup> August, 2003

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

(Rahul Divan)  
Partner

Sanjay Dalmia

Dr. B.C. Jain

H.H. Faruqi  
Directors

Place : New Delhi  
Date : 1<sup>st</sup> August, 2003

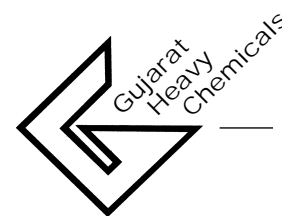
P. Sampath  
Sr. Executive Director

R.S. Jalan  
Sr. Executive Director

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





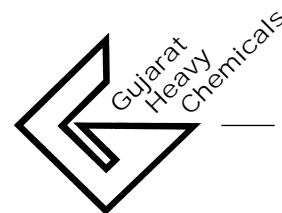


**ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**

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

I.	Registration No. : <b>6513</b>	State Code : <b>04</b>	Balance Sheet Date: <b>31st March, 2003</b>
II.	Capital raised during the year (Amount in Rs. Thousands)		
	Public Issue :	<b>Nil</b>	Right Issue :
	Bonus Issue :	<b>Nil</b>	Private Placement :
			<b>Nil</b>
III.	Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)		
	Total Liabilities	<b>3,376,107</b>	Total Assets <b>3,376,107</b>
	<b>Sources of Funds</b>		<b>Application of Funds</b>
	Paid-Up Capital	<b>950,884</b>	Net Fixed Assets <b>3,649,969</b>
	Reserves & Surplus	<b>1,238,826</b>	Investments <b>220,050</b>
	Secured Loans	<b>1,168,973</b>	Net Current Assets <b>110,392</b>
	Unsecured Loans	<b>17,424</b>	Deferred Tax Liability <b>(750,169)</b>
			Misc. Expenditure <b>145,865</b>
IV.	Performance of Company (Amount in Rs. Thousands)		
	Turnover	<b>4,348,227</b>	Total Expenditure <b>3,846,172</b>
	Profit/ Loss Before Tax	<b>502,055</b>	Profit After Tax <b>463,114</b>
	Earnings Per Share in Rs.	<b>4.87</b>	Dividend Rate
			Equity Share :
			– Final
			<b>23%</b>
V.	Generic Names of Three Principal Product/Services of Company (as per monetary terms)		
	Item Code No. (ITC Code)	: <b>2836.20</b>	
	Product Description	: <b>Disodium Carbonate (Soda Ash)</b>	
	Item Code No. (ITC Code)	: <b>5205.11, 5205.19, 5206.11, 5206.12, 5509.21, 5509.22, 5509.50</b>	
	Product Description	: <b>Textiles falling within the above code numbers</b>	





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

S. No.	Name of Subsidiary Company	Colwell & Salmon Communications Inc	Colwell and Salmon Communications (India) Limited
1.00	The financial period of the Subsidiary Company ended on	31st March, 2003	31st March, 2003
2.00	Date from which they become subsidiary Companies	12th December, 2002	24th January, 2003
3.00	Numbers of Shares held by Gujarat Heavy Chemicals, Ltd. with its nominees in the subsidiaries at the end of the financial year of the subsidiary Company	1379.6	50050
3.20	Extent of interest of holding Company at the end of the financial year of the subsidiary Company	69%	100%
4.00	The net aggregate amount of the subsidiary Company Profit/(Loss) so far as concerns the members of the holding Company:		
4.10	Not dealt with in the holding Company accounts.		
4.10.10	For the financial years ended 31st March, 2003	Profit of USD 44.89 Rs. 0.02 Lacs	NIL
4.10.20	For the previous financial years of the subsidiary Company since it became the holding Company's subsidiary	NIL	NIL
4.20	Dealt with in holding Company's account:		
4.20.10	For the financial years ended 31st March, 2003	NIL	NIL
4.20.20	For the previous financial years of the subsidiary Company since it became the holding Company's subsidiary	NIL	NIL

ANNUAL  
REPORT  
2002-03

For and on behalf of the Board

Sanjay Dalmia

Dr. B.C. Jain

H.H. Faruqi  
Directors

P. Sampath

Sr Executive Director

R.S. Jalan

Sr Executive Director

J.P. Mehrotra

Sr General Manager (Finance)  
& Company Secretary

Place : New Delhi

Date : 1<sup>st</sup> August, 2003

# Colwell and Salmon Communications (India) Limited

## DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the 1<sup>st</sup> Annual Report of the Company together with Audited Accounts of the Company for the period ended 31<sup>st</sup> March 2003.

### FINANCIAL RESULTS

No Profit & Loss Account has been prepared for the period ended 31<sup>st</sup> March 2003, as the Company operation has not yet commenced. However the necessary details during the pre-operative period are as follows:

	(Rs. in Lac)
Miscellaneous Expenditure	1.89
Pre-operative Expenditure	0.49

### REVIEW OF OPERATIONS

The company has registered itself as a STPI unit under the Software Technology Parks of India Scheme of Govt. of India to carry out operations in the area of IT Enabled Services. The company is in the process of obtaining the other necessary approvals to commence the operations. The company is also in the process of hiring the core team as per the plan. Your company is expected to commence the operations in the second quarter of the current year.

### MARKETING

The company will mainly procure business from Colwell & Salmon Communications Inc, USA and deliver the services from India. The company has also approached the other customers in USA and UK market to get more business.

### FINANCE

During the period entire 50050 equity shares of Rs. 10/- each fully paid up of the company has acquired by Gujarat Heavy Chemicals Limited and thereby your Company has become wholly owned subsidiary of Gujarat Heavy Chemicals Limited. The company has also obtained an unsecured loan of Rs 1.79 lac from Gujarat Heavy Chemicals Limited, the holding company.

### CORPORATE GOVERNANCE

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

### DIRECTORS

In accordance with the Companies Act, 1956 and the Company's Article of Association Mr. P.Sampath is retiring at the ensuing Annual General Meeting being eligible, offer himself for re-appointment. The board recommends his re-appointment.

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

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

### PARTICULARS OF EMPLOYEES

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

### AUDITORS

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

## DIRECTORS' RESPONSIBILITY STATEMENT

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

- the financial statements have been prepared on a going concern basis. In the preparation of the financial statements the Generally Accepted Accounting Principles (GAAP) of India and applicable Accounting Standards issued by the Institute of Chartered Accountants of India have been followed along with proper explanations relating to material departures;
- appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so far as to give true and fair view of the state of affairs of the company as at the end of the financial year and of the loss of the company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations. These systems are reviewed and updated on an ongoing basis;
- Rahul Gautam Divan and Associates, Chartered Accountants, the Statutory Auditors have audited the financial statements and their report is appended thereto.

## ACKNOWLEDGEMENT

The directors express their gratitude to Gujarat Heavy Chemicals Limited, Bank, STPI and various other agencies for the co-operation extended to the company.

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

By order of the Board

Place: Noida  
Date: 30<sup>th</sup> April 2003

S K MUKHERJEE  
CHAIRMAN



## ANNEXURE I TO THE DIRECTORS' REPORT

- CONSERVATION OF ENERGY**  
Not Applicable for the current year. However, the nature of Company's operations involves low energy consumption and appropriate measure will be taken to conserve the same.
- TECHNOLOGY ABSORPTION:** Not Applicable
- FOREIGN EXCHANGE EARNING AND OUTGO**

Earning in foreign exchange NIL

Foreign Exchange outgo NIL

# Colwell and Salmon Communications (India) Limited

## AUDITOR'S REPORT

To the Members of

Colwell & Salmon Communications (India) Limited

1. We have audited the attached Balance Sheet of Colwell & Salmon Communications (India) Limited as at 31 March 2003. 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 Manufacturing and Other Companies (Auditor's Report) Order 1988 issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we annex hereto 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:
  - a) no Profit and Loss Account has been prepared for the period ended 31 March 2003 as the Company's operations had not yet commenced. However, the necessary details as per Part II of Schedule VI to the Companies Act, 1956 have been disclosed in the Schedule of Statement of Pre-Operative Expenses;
  - b) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - c) in our opinion, proper books of account as required by the law have been kept by the Company so far as it appears from our examination of the books;
  - d) the Balance Sheet dealt with by this report is in agreement with the books of account and other records;
  - e) in our opinion, the Balance Sheet complies with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956; and
  - f) on the basis of written representations received from the Directors of the Company as at 31 March 2003 and taken on record by the Board of Directors, none of the Directors of the Company is disqualified as on 31 March 2003 from being appointed as a director of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - g) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
    - i) in the case of the Balance Sheet of the state of affairs of the Company as at 31 March 2003.

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

Place: Mumbai  
Date : 30th April 2003

**Rahul Divan**  
Partner



## ANNEXURE TO THE AUDITORS REPORT

Referred to in paragraph 3 of our report of even date on the Balance Sheet for the year ended 31 March, 2003 of Colwell & Salmon Communications (India) Limited.

- i) The company has no fixed assets as at the balance sheet date.
- ii) As informed to us, the Company has no stock as at the balance sheet date.
- iii) The Company has not taken loans from companies listed in the register maintained under Section 301 and from the Companies under the same management as defined under sub section (1B) of Section 370 of the Companies Act, 1956. However, pursuant to the Companies (Amendment) Act, 1999, Section 370 is, now, not applicable to the company.
- iv) The Company has not granted loans to companies listed in the register maintained under Section 301 of the Companies Act, 1956 and to companies under the same management as defined under sub section (1B) of Section 370 of the Companies Act, 1956. However, pursuant to the Companies (Amendment) Act, 1999, Section 370 is, now, not applicable to the company.
- v) As informed to us, the Company has not granted interest free loans to employees.
- vi) In our opinion and according to information and explanations given to us, the internal control procedures with regards to purchase of other assets, if any, is commensurate with the size of the Company and the nature of its business.
- vii) The transaction of purchase of goods and services made in pursuance of contract or arrangement entered in the register maintained under Section 301 of the Companies Act, 1956, if any, and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, material or services.
- viii) The Company has not accepted deposits from the public during the period.
- ix) Maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 has not been prescribed by the Central Government.
- x) We are informed that Provident Fund and Employees State Insurance is not applicable to the Company during the period ended 31 March 2003.
- xi) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Sales Tax, Customs duty which has remained outstanding as at 31 March 2003 for a period of more than 6 months from the date they became payable.
- xii) According to the information and explanations given to us and the records examined by us, no personal expenses other than those payable under contractual obligation or in accordance with generally accepted business practice have been charged to revenue account.
- xiii) The Company is not a sick industrial company within the meaning of clause (o) of sub Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- xiv) In our opinion, clauses (iii), (iv), (v), (vi), (xii), (xiv) and (xv) of paragraph 4(A) and other clauses of paragraph 4(B) and 4(D) of the Manufacturing and Other Companies (Auditors' Report) Order, 1988 are not applicable to the Company.
- xv) In respect of service activities of the Company, the Company has not commenced commercial activities on 31 March 2003.

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

Place: Mumbai  
Date : 30th April 2003

**Rahul Divan**  
Partner

# Colwell and Salmon Communications (India) Limited

## BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedules	As at 31.3.2003 (Rs. in lacs)
<b>SOURCES OF FUNDS</b>		
<b>Shareholder's Funds</b>		
Share Capital	1	5.01
<b>Loan Funds</b>		
Unsecured Loans	2	1.79
<b>Total</b>		<b>6.80</b>
<b>APPLICATION OF FUNDS</b>		
<b>Current Assets, Loans and Advances</b>		
Cash and Bank Balances	3	1.53
Loans and Advances		3.25
		<b>4.78</b>
<b>Less: Current Liabilities and Provisions</b>	4	<b>0.36</b>
Liabilities		0.36
		<b>0.36</b>
<b>Net Current Assets</b>		<b>4.42</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	5	<b>1.89</b>
<b>Pre-operative Expenditure</b> (to the extent not written off or adjusted)	6	<b>0.49</b>
<b>Total</b>		<b>6.80</b>
<b>Notes on Accounts</b>	7	

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

As per our report attached  
For and on behalf of  
Rahul Gautam Divan & Associates  
Chartered Accountants

S.K. Mukherjee  
Director

Rahul Divan  
Partner

P. Sampath  
Director

Date : April 30, 2003  
Place : Mumbai

Date : April 30, 2003  
Place : Noida

## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE 1 : SHARE CAPITAL

	As at 31.3.2003 (Rs. in lacs)
<b>SHARE CAPITAL</b>	
<b>Authorised</b>	
10,00,000 Equity Shares of Rs. 10/- each	100.00
<b>Issued, Subscribed and Paid up</b>	
50,050 Equity Shares of Rs. 10/- each fully paid up	5.01
	<b>5.01</b>

The entire share capital of the company represents shares held by Gujarat Heavy Chemicals Limited and its nominees.

### SCHEDULE 2 : UNSECURED LOANS

	As at 31.3.2003 (Rs. in lacs)
Loan from Gujarat Heavy Chemicals Limited- the holding company	1.79
<b>Total</b>	<b>1.79</b>

### SCHEDULE 3: CURRENT ASSETS, LOANS AND ADVANCES

	As at 31.3.2003 (Rs. in lacs)
<b>CURRENT ASSETS</b>	
<b>Cash &amp; Bank Balances</b>	
Cash balance on hand	0.05
Balance with Scheduled Bank :	
In Current Account	1.48
<b>Sub Total</b>	<b>1.53</b>
<b>LOANS AND ADVANCES</b>	
Advances recoverable in cash or in kind or for value to be received	3.25
<b>Sub Total</b>	<b>3.25</b>
<b>Grand Total</b>	<b>4.78</b>

### SCHEDULE 4: CURRENT LIABILITIES & PROVISIONS

	As at 31.3.2003 (Rs. in lacs)
<b>CURRENT LIABILITIES</b>	
Other Liabilities	0.36
<b>Total</b>	<b>0.36</b>

### SCHEDULE 5: MISCELLANEOUS EXPENDITURE

	As at 31.3.2003 (Rs. in lacs)
Preliminary Expenses	1.89
<b>Total</b>	<b>1.89</b>

### SCHEDULE 6: PRE-OPERATIVE EXPENSES

	As at 31.3.2003 (Rs. in lacs)
Legal & Professional Charges	0.36
Auditor's Remuneration	0.05
Printing & Stationery	0.04
Other Misc Expenses	0.04
<b>Total</b>	<b>0.49</b>

02 45 03  
ANNUAL  
REPORT

# Colwell and Salmon Communications (India) Limited

## SCHEDULE 7: NOTES ON ACCOUNTS

### A) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- |  |  |                      |                     |                            |     |
|--|--|----------------------|---------------------|----------------------------|-----|
| <p>1. <b>General</b><br/>The accounts are prepared under the historical cost convention using the accrual method.</p> <p>2. <b>Preliminary Expenses</b><br/>Preliminary expenses will be charged to revenue over a period of five years from the date of commencement of commercial operations.</p> <p>3. <b>Pre-operative Expenses</b><br/>Expenditure incurred by the company from the date of incorporation until the date of commencement of operations will either be capitalised on the commencement of commercial operation or will be treated as Deferred Revenue Expenditure.</p> | <p>4. The company has established Software Technology Park - 100% Export Oriented unit for providing I.T.enabled services at Noida. However, the company has not purchased any duty free capital goods under the scheme till the Balance Sheet date.</p> <p>5. Auditors' Remuneration:</p> <table border="0" style="width: 100%;"> <tr> <td style="text-align: right;">Statutory Audit Fees</td> <td style="text-align: right;">(Rs in lac)<br/>0.05</td> </tr> <tr> <td style="text-align: right;">6. Managerial Remuneration</td> <td style="text-align: right;">Nil</td> </tr> </table> | Statutory Audit Fees | (Rs in lac)<br>0.05 | 6. Managerial Remuneration | Nil |
| Statutory Audit Fees   | (Rs in lac)<br>0.05  |                      |                     |                            |     |
| 6. Managerial Remuneration   | Nil  |                      |                     |                            |     |

### B) NOTES ON ACCOUNTS

- |  |   |  |                            |                        |                        |   |  |
|--|---|--|----------------------------|------------------------|------------------------|---|--|
| <p>1. The company was incorporated on 27th December, 2002. Being the first period of existence of the company, there are no previous year's figures.</p> <p>2. According to the information available, the company does not have any amount outstanding to suppliers registered as small scale undertakings.</p> <p>3. The company has prepared the statement of Pre-operative Expenses instead of a Profit &amp; Loss Account. The necessary details as per part II of Schedule VI of the Companies Act, 1956, have been disclosed in the said statement.</p> | <p style="text-align: center;">Signature to Schedules 1 to 7</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">As per our report attached<br/>For and on behalf of<br/>Rahul Gautam Divan &amp; Associates<br/>Chartered Accountants</td> <td style="width: 50%;">S.K. Mukherjee<br/>Director</td> </tr> <tr> <td>Rahul Divan<br/>Partner</td> <td>P. Sampath<br/>Director</td> </tr> <tr> <td>Date : April 30, 2003<br/>Place : Mumbai</td> <td>Date : April 30, 2003<br/>Place : Noida</td> </tr> </table> | As per our report attached<br>For and on behalf of<br>Rahul Gautam Divan & Associates<br>Chartered Accountants | S.K. Mukherjee<br>Director | Rahul Divan<br>Partner | P. Sampath<br>Director | Date : April 30, 2003<br>Place : Mumbai | Date : April 30, 2003<br>Place : Noida |
| As per our report attached<br>For and on behalf of<br>Rahul Gautam Divan & Associates<br>Chartered Accountants   | S.K. Mukherjee<br>Director  |  |                            |                        |                        |   |  |
| Rahul Divan<br>Partner   | P. Sampath<br>Director  |  |                            |                        |                        |   |  |
| Date : April 30, 2003<br>Place : Mumbai  | Date : April 30, 2003<br>Place : Noida  |  |                            |                        |                        |   |  |



## CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2003

		<u>2002-03</u> (Rs in lac)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit/(loss) before tax and Extraordinary items		0.00
<b>Adjustments for:</b>		
Current Assets & Loans and Advances	(3.25)	
Liabilities	0.36	(2.89)
<b>Net cash from Operating activities</b>		(2.89)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Preliminary Expenses		(1.89)
Pre-operative Expenses		(0.49)
<b>Net Cash used in Investing Activities</b>		(2.38)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Equity Shares		5.01
Unsecured Loans		1.79
<b>Net Cash used in Financial Activities</b>		6.80
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>		1.53
Cash and Cash Equivalents as at 31st March, 2003 (Closing Balance)		1.53
NOTE : Figures in bracket represent Cash outflows.		
For and on behalf of the Board		

Date: April 30, 2003  
Place: Noida

S.K.Mukherjee  
Director

P.Sampath  
Director

### AUDITORS' CERTIFICATE

We have examined the above Cash Flow Statement of Colwell & Salmon Communications (India) Limited for the period ended on 31st March, 2003. The statement has been prepared by the company and is based on and in agreement with the books and records of the company and Balance Sheet of the company covered by our report of even date to the members of the company.

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

Dated : April 30, 2003  
Place : Mumbai

Rahul Divan  
Partner

# Colwell and Salmon Communications (India) Limited \_\_\_\_\_

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

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

I.	Registration No.:	<b>U3009GJ2002PLC41767</b>	State Code:	<b>04</b>
	Balance Sheet Date :	<b>31st March, 2003</b>		
II.	Capital Raised during the year (Amount in Rs.'000)		Right Issue :	<b>Nil</b>
	Public Issue :	<b>Nil</b>	Private Placement :	<b>501</b>
	Bonus Issue :	<b>Nil</b>		
III.	<b>Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)</b>			
	<b>Total Liabilities</b>	<b>680</b>	<b>Total Assets</b>	<b>680</b>
	<b>Sources of Funds</b>		<b>Application of Funds</b>	
	Paid-up Capital	<b>501</b>	Net Fixed Assets	<b>Nil</b>
	Reserves and Surplus	<b>Nil</b>	Investments	<b>Nil</b>
	Secured Loans	<b>Nil</b>	Net Current Assets	<b>442</b>
	Unsecured Loans	<b>179</b>	Deferred Tax Liability	<b>Nil</b>
			Misc. Expenditure	<b>189</b>
			Pre-Operative Expenses	<b>49</b>
			Accumulated Losses	<b>Nil</b>
IV.	<b>Performance of Company (Amount in Rs.'000)</b>			
	Turnover	<b>Nil</b>	Total Expenditure	<b>Nil</b>
	Profit/(Loss) Before Tax	<b>Nil</b>	Profit/(Loss) After Tax	<b>Nil</b>
	Earning per share in Rs.	<b>—</b>	Dividend Rate	<b>Nil</b>
			Equity Share :	<b>Nil</b>
V.	<b>Generic Names of Three Principal Product/Services of Company (as per monetary terms)</b>			
	Item Code No. (ITC Code)	:	<b>Not Applicable</b>	
	Product Description	:	<b>IT Enabled Services</b>	



# Colwell & Salmon Communications, Inc.

## Directors' Report for the year ended March 31, 2003

It gives us great pleasure to report our performance for the year ended March 31, 2003.

This is our first year of reporting financials for the period from April to March. We rose to meet the challenge of the stagnating global economy by recording revenues of US\$ 6.8 MM, growing by 28% over previous year. In the last quarter ending March 2003, we recorded a turnover of \$ 1.7 MM against \$ 1.3 MM for the corresponding period of the previous year, reflecting a growth of 31%. We continued to maintain a profitable position having recorded a profit before taxes of \$ 0.10 MM during the period.

In appreciation of our continuing efforts to provide utmost customer satisfaction through quality service delivery, we were awarded 2002 MVP Gold Award - an award that we have won for the 3<sup>rd</sup> consecutive year.

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

The B2B segment grew from \$ 3.2 MM to \$4.8 MM. This reflects a growth of 48%. We have been listed as one of the five most preferred vendors for IBM in the tele-services segment in North America. Our quality in service delivery has enabled us to add new clients including EDO Corporation, National Equipment Services Inc. and Grandoe Corporation and several new IBM business partners like Siemens Corporation and Candle Corporation. We have expanded our turnkey solutions to other segments of Best Corporation, who is one of our largest clients. Our constant focus on delivery of quality services has led to expansion of our turnkey solutions to 2 more product lines with Best Corporation. Further, we have been able to hold our price line even in difficult times.

The Market Research segment however recorded a significant dip with revenues of \$ 0.4 MM against \$ 0.7 MM recorded in the previous year. This was due to lack of opportunities arising out of continued weakness of the US economy. However we expect this business segment to grow significantly through the development of a targeted business strategy consisting of leveraging our "full service" market research experience and capabilities with our rapidly developing high quality data collection service delivery capabilities in India and the resulting cost savings to U.S based companies looking to reduce market research costs. To this end, we have been able to identify a new business opportunity with ISA Corporation.

The B2C segment recorded revenues of \$ 1.7 MM achieving a growth of 15 % over previous year. NAMG continues as our largest customer in this segment. Our outsourcing capabilities in India, provides us the opportunity to drive volumes in this segment by offering competitive pricing. We won the Riggs Bank and the Excelsior College as new business opportunities in this segment.

The Company stays focused in its strategy to acquire new customers by offering quality service delivery. Colwell & Salmon has stayed on course in acquiring and retaining the best talent in this business, because of its belief that employees make the differentiation between organizations. We have maintained our commitment to our employees through a sound strategy of rewarding compensation and benefits and challenging working atmosphere.

During the year Company saw a significant change in its Management. Mr. Wayne Colwell took over the mantle of President & CEO. Mr. Richard Salmon, who was the co-owner and President, resigned from the Company on December 31, 2002 to pursue other interests. The Board of Directors places its thanks and appreciation on record for Mr. Salmon who had helped the Company achieve its present position in the business arena.

Mr. S.K. Mukherjee and Mr. Shyam Viswanathan were inducted to the Board of Directors of the Company with effect from December 12, 2002. In March 31, 2003 Mr. Viswanathan decided to pursue other interest and resigned from the Board of Directors and Mr. Atul Lal was inducted to the Board. The Board places on record its appreciation of Mr. Viswanathan's contribution to the Company.

We have achieved significant success in terms of growth in business volumes. We stay committed and focused to reach a higher plane by adding other areas of customer interaction like inbound services and also launch Business Process Outsourcing services.

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

**Mr. S. K. Mukherjee**  
Chairman of the Board of Directors

Date: May 30, 2003

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Colwell & Salmon Communications, Inc. as of March 31, 2003, and the related statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in United States of America. 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colwell & Salmon Communications, Inc. as of March 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Albany, New York  
Dated : May 30, 2003

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





# Colwell & Salmon Communications, Inc.

## Balance Sheet as at 31st March, 2003

Assets	US Dollars
<b>Current assets:</b>	
Cash	402,378
Accounts receivable, net (Note 2)	839,022
Prepaid expenses	23,006
Total current assets	<u>1,264,406</u>
<b>Property and equipment, net (Note 3)</b>	<u>654,686</u>
<b>Total Assets</b>	<u><u>1,919,092</u></u>
<b>Liabilities and Stockholders' Equity</b>	
<b>Current liabilities:</b>	
Short-term borrowings (Note 4)	286,240
Current portion of long-term debt (Note 5)	48,567
Current portion of capital lease obligations (Note 8)	14,035
Accounts payable and accrued expenses (Note 7)	511,618
Due to stockholder (Note 7)	250,362
Deferred revenue	141,942
Deferred income taxes (Note 6)	12,866
Total current liabilities	<u>1,265,630</u>
<b>Long-term debt (Note 5)</b>	215,573
<b>Capital leases payable (Note 8)</b>	11,979
<b>Deferred income taxes (Note 6)</b>	90,746
Total liabilities	<u>1,583,928</u>
<b>Stockholders' equity:</b>	
Common stock - \$1 par value, 2,000 shares authorized, issued and outstanding	2,000
Retained earnings	333,164
Total stockholders' equity	<u>335,164</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u><u>1,919,092</u></u>

The accompanying notes are an integral part of these financial statements

## Statement Of Income And Retained Earnings For The Year Ended March 31, 2003

	US Dollars	%
<b>Sales</b>	<b>6,847,544</b>	100.0
<b>Cost of sales</b>	<b>3,889,171</b>	56.8
<b>Gross profit</b>	<b>2,958,373</b>	43.2
<b>Operating expenses:</b>		
Administrative	2,814,628	41.1
Interest	38,938	0.6
Total operating expenses	<u>2,853,566</u>	41.7
<b>Income before provision for income taxes</b>	<b>104,807</b>	1.5
<b>Provision for income taxes (Note 6)</b>	<b>104,526</b>	1.5
<b>Net income</b>	<b>281</b>	—
<b>Retained earnings - beginning</b>	<b>332,883</b>	
<b>Retained Earnings - Ending</b>	<b>333,164</b>	

The accompanying notes are an integral part of these financial statements



# Colwell & Salmon Communications, Inc.

## Statement of Cash Flows For The Year Ended March 31, 2003

	US Dollars
<b>Operating activities:</b>	
Net income	281
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation	135,501
Deferred income tax expense	103,612
Provision for losses on accounts receivable	(7,000)
Changes in operating assets and liabilities:	
Accounts and other receivables	(269,513)
Prepaid expenses	9,664
Accounts payable and accrued expenses	216,076
Deferred revenue	(115,911)
Net cash flows from operating activities	<u>72,710</u>
<b>Investing activities:</b>	
Property and equipment expenditures	(195,669)
Net cash flows from investing activities	<u>(195,669)</u>
<b>Financing activities:</b>	
Net proceeds from short-term borrowings	286,240
Principal repayments on long-term debt and capital leases	(90,407)
Net proceeds from payable to officer	250,362
Net cash flows from financing activities	<u>446,195</u>
<b>Net increase in cash</b>	<b>323,236</b>
<b>Cash - beginning</b>	<b>79,142</b>
<b>Cash - Ending</b>	<b><u>402,378</u></b>
<b>Supplemental disclosure of cash flows information:</b>	
Interest Paid	<u>38,938</u>

The accompanying notes are an integral part of these financial statements



# Colwell & Salmon Communications, Inc.

## NOTES TO FINANCIAL STATEMENTS

### Note 1: Summary of Significant Accounting Policies

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

**Deferred taxes** - Income tax expense includes federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. These differences result principally from the excess of depreciation for tax purposes over the amount for financial reporting purposes and a change in the method of accounting for tax purposes from the cash method to the accrual method.

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

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

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

### Note 2 : Accounting Receivable

Accounts receivable at March 31, 2003 consists of:

Accounts receivable - trade (see Notes 7 & 12)	\$ 854,022
Less : allowance for doubtful accounts	15,000
Total	<u>\$ 839,022</u>

Bad debts expense charged to operations for the year ended March 31, 2003 was \$8,816

### Note 3 : Property and Equipment

Property and equipment, stated on the balance sheet at cost less accumulated depreciation, at March 31, 2003 consist of:

Item	Cost	Accumulated Depreciation
Office equipment	\$ 816,859	\$ 527,901
Telephone equipment	567,724	290,626
Idle equipment	151,725	75,863
Leasehold improvements	16,889	4,121
	<u>1,553,197</u>	<u>\$ 898,511</u>
Less: accumulated depreciation	898,511	
Total	<u>\$ 654,686</u>	

Depreciation expense charged to operations for the year ended March 31, 2003 was \$ 135,501. Equipment with a book value of \$75,862 at March 31, 2003, is temporarily not in use.

### Note 4 : Short-Term Borrowings

The Company has two lines of credit with banks that total \$500,000. Borrowings against the lines are payable on demand and interest is due monthly at the bank's prime rate plus .5% (prime was 4.25% at March 31, 2003). The lines are secured by equipment, furnishings, and accounts receivable and are guaranteed by the stockholders of the Company. The Company has \$213,760 available at March 31, 2003.

### Note 5 : Long-term Debt

Long-term debt at March 31, 2003 consists of:

Note payable to a bank, due January 2008, in monthly installments of \$5,258 including interest at 6% secured by all equipment, furnishings, and accounts receivable and guaranteed by the stockholders of the Company. \$ 264,140

Less: current portion 48,567

**Long-Term Portion** \$ 215,573

Maturities of long-term debt are as follows:

2004	\$ 48,567
2005	51,568
2006	54,749
2007	58,126
2008	51,130

Total \$ 264,140

### Note 6 : Income Taxes

The components of income tax expense from continuing operations at March 31, 2003 consist of:

Current tax expense \$ 914

Deferred tax expense 103,612

**Total Income Tax Expense** \$ 104,526

Deferred tax liability at March 31, 2003 consists of:

	Current	Long-Term	Total
Depreciation	\$ -	\$ 13,704	\$ 13,704
Section 418 adjustments	12,866	77,042	89,908
Total	<u>\$ 12,866</u>	<u>\$ 90,746</u>	<u>\$ 103,612</u>

The Company's effective income tax rate is higher than would be expected if the federal statutory rate were applied to income from continuing operations primarily because of the change in entity status from an S corporation to a C corporation and the resulting deferred tax calculation based on different accounting methods for tax and financial purposes.

The Company has available at March 31, 2003 \$ 83,770 of unused operating loss carryforwards that may be applied against future taxable income and that expire in 2023.

### Note 7 : Related Party Transactions

At March 31, 2003, the Company was involved in various transactions with a stockholder of the Company. Transactions and balances with the related party at March 31, 2003 consist of:

#### Due to and (from) related party

Due to Stockholder - Represents a loan earning interest at .5%, which is due on demand. \$ 250,362

Accounts Payable to Related Party (Included in Accounts Payable on the Balance Sheet) \$ 159,725

#### Income and expenses

Outside Telemarketing Expense - The Company subcontracts services from a stockholder to perform telemarketing and market research on their behalf. \$ 695,999

### Note 8 : Capital Leases

The Company is the lessee of computer and telephone equipment under capital lease expiring in 2005. The assets held under the leases are as follows:

Computers	\$ 77,994
Telephones	57,166

Less: accumulated depreciation 135,160  
46,372

**Net Book Value** \$ 88,788



# Colwell & Salmon Communications, Inc.

Future minimum lease payments, together with the present value of the net minimum lease payments as of March 31, 2003 are as follows:

2004	\$ 14,035
2005	11,979
Total minimum lease payments	26,014
Less: amount representing interest	760
<b>Net Present Value of Minimum Lease Payments</b>	<b>\$ 25,254</b>

The interest rates on the capital lease obligations range from 12.9% - 19.65% and are imputed based on the lower of the Company's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

### Note 9: Operating Leases

The Company leases real estate and equipment under operating lease agreements that expire on various dates through 2009. Leases that meet the criteria for capitalization are recorded in the accompanying financial statements as assets and the related obligation at the present value of future minimum lease payments.

The rental expense from operating leases for the year ended March 31, 2003 was \$ 199,170.

Minimum future rental payments under operating leases having initial term in excess of one year as of March 31, 2003, for each of the next six years and in the aggregate are:

2004	\$ 275,708
2005	228,357
2006	222,972
2007	206,817
2008	206,817
2009	172,347
Total	<b>\$ 1,313,018</b>

### Note 10 : Pension Plan

The Company has adopted a 410(k) plan covering substantially all employees. The Plan requires the Company to contribute 20% of the employees' contribution up to a maximum of 6% of the employee's annual compensation. Employee contribution are fully vested after six years of service. Contributions to the Plan for year ended March 31, 2003 amounted to \$ 9,397

### Note 11 : Concentrations of Credit Risk

Financial instruments that potentially subject Colwell & Salmon Communications, Inc, to concentration of credit risk consist principally of cash in financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$ 100,000.

### Note 12 : Economic Dependency

The Company sells a substantial portion of its service to three customers. During the year ended March 31, 2003, sales to those customers aggregated \$ 4,598,189. At March 31, 2003, amounts due from those customers included in trade accounts receivable, were \$ 596,784 (see Note 2).

## SUPPLEMENTAL INFORMATION

### Schedule of Cost of Sales For the year Ended March 31, 2003

#### Schedule - I

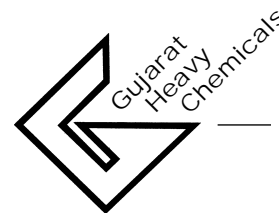
	US Dollars
<b>Cost of Sales:</b>	
Salaries	\$ 2,086,524
Outside telemarketing expense	845,506
Telephone	280,507
Payroll taxes	207,505
Telephone look up	177,050
Insurance and employee benefits	125,424
Marketing research	78,402
List purchases	65,723
Direct overhead	22,530
<b>Total Cost of Sales</b>	<b>3,889,171</b>

### Schedule of Administrative Expenses For the year Ended March 31, 2003

#### Schedule - II

	US Dollars
<b>Administrative expenses:</b>	
Administrative wages	1,382,449
Officers salaries	265,980
Rent	199,170
Payroll taxes	151,204
Depreciation	135,501
Insurance and employee benefits	109,746
Travel and meals	109,020
Office	139,511
Accounting and legal	80,563
Telephone	51,375
Recruiting	29,166
Repairs and maintenance	28,150
Seminars and training	22,274
Payroll preparation	20,487
Trade shows and conferences	18,650
Pension expense and administration fees	13,739
Advertising and marketing	13,241
Printing and copies	10,883
Employee benefits	10,041
Bad debts	8,816
Computer services	8,025
Temporary help	4,695
Sales tax	1,942
<b>Total Administrative Expenses</b>	<b>2,814,628</b>





**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

To the Board of Directors  
GUJARAT HEAVY CHEMICALS LIMITED

We have examined the attached Consolidated Balance Sheet of **GUJARAT HEAVY CHEMICALS LIMITED** ("the Company) and its subsidiaries and a associate as at 31<sup>st</sup> March 2003, and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of a subsidiary, whose financial statements have been audited by M/s. Rahul Gautam Divan & Associates, Chartered Accountants and joint auditors of the Company, reflect total assets ( net ) of Rs. 6.80 lakhs and total revenues of Rs. Nil for the period ended 31<sup>st</sup> March, 2003.

We did not audit the financial statements of the other subsidiary, whose financial statements reflect total assets ( net ) of Rs. 320.19 lakhs as at 31<sup>st</sup> March 2003, and total revenues of Rs.3210.77 lakhs for the year ended on that date. These financial statements have been audited by another auditor whose report has been furnished to us, and in our opinion, so far as it relates to the amounts included in respect of that subsidiary, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, Accounting Standard - 23 Accounting for Investment in Associates, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, its subsidiaries and a associate included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries and a associate, 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, its subsidiaries and a associate as at 31<sup>st</sup> March, 2003;
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company, its subsidiaries and a associate for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company, its subsidiaries and a associate for the year ended on that date.

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

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

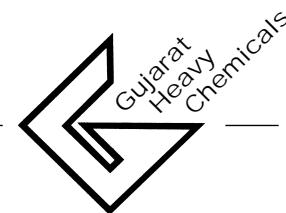
C. V. THAKKER  
Partner

RAHUL DIVAN  
Partner

Place : Mumbai  
Dated : 1<sup>st</sup> August, 2003



# Gujarat Heavy Chemicals Limited



## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedules	As at 31.3.2003 (Rs. in lacs)	As at 31.3.2002 (Rs. in lacs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Funds</b>			
Capital	1	9,508.84	9,508.84
Reserves and Surplus	2	<u>12,330.70</u>	<u>11,366.34</u>
		<b>21,839.54</b>	<b>20,875.18</b>
<b>Minority Interest</b>			
		<b>51.46</b>	<b>—</b>
<b>Loan Funds</b>			
Secured Loans	3	11,964.38	14,492.14
Unsecured Loans	4	<u>176.07</u>	<u>427.94</u>
		<b>12,140.45</b>	<b>14,920.08</b>
<b>Deferred Tax Liability</b>			
		<b>7,551.06</b>	<b>7,318.28</b>
<b>Total</b>		<b><u>41,582.51</u></b>	<b><u>43,113.54</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block		67,369.89	63,240.23
Less : Depreciation		<u>30,185.62</u>	<u>26,675.11</u>
Net Block	5	<b>37,184.27</b>	<b>36,565.12</b>
Capital Work-in-Progress		514.35	264.37
Advances against capital expenditure		<u>16.73</u>	<u>83.02</u>
		<b>37,715.35</b>	<b>36,912.51</b>
<b>Investments</b>			
	6	<b>1,125.99</b>	<b>985.09</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	7	6,599.79	6,546.22
Sundry Debtors		4,491.19	4,518.65
Cash and Bank Balances		2,035.02	3,167.42
Loans and Advances		<u>3,091.88</u>	<u>3,308.96</u>
		<b>16,217.88</b>	<b>17,541.25</b>
<b>Less : Current Liabilities and Provisions</b>			
Liabilities	8	12,438.90	11,291.26
Provisions		<u>2,499.19</u>	<u>2,409.16</u>
		<b>14,938.09</b>	<b>13,700.42</b>
<b>Net Current Assets</b>		<b>1,279.79</b>	<b>3,840.83</b>
<b>Miscellaneous Expenditure</b>			
(to the extent not written off or adjusted)		<b>1,461.38</b>	<b>1,375.11</b>
Deferred Revenue Expenses			
<b>Total</b>		<b><u>41,582.51</u></b>	<b><u>43,113.54</u></b>
<b>Notes on Accounts</b>	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

(C.V. Thakker)  
Partner

Place : Mumbai  
Date : 1<sup>st</sup> August, 2003

Rahul Gautam Divan & Associates  
Chartered Accountants

(Rahul Divan)  
Partner

Sanjay Dalmia

Dr. B.C. Jain

H.H. Faruqi  
Directors

Place : New Delhi  
Date : 1<sup>st</sup> August, 2003

P. Sampath  
Sr. Executive Director

R.S. Jalan  
Sr. Executive Director

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

# Gujarat Heavy Chemicals Limited



## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedules	2002-2003 (Rs in lacs)	2001-2002 (Rs in lacs)
<b>INCOME</b>			
Sales		48,826.13	46,577.51
Less: Excise Duty & Sales Tax		5,927.67	6,151.40
Income from Services		3,437.35	154.38
Other Income	9	357.22	265.13
<b>TOTAL INCOME</b>		<b>46,693.03</b>	<b>40,845.62</b>
<b>EXPENDITURE</b>			
Manufacturing Expenses	10	22,745.37	22,118.60
Purchase of Trading Goods		700.97	505.49
Payments to and Provisions for employees	11	5,218.80	3,224.95
Administrative and Miscellaneous Expenses	12	3,700.00	2,664.50
Selling and Distribution Expenses	13	3,679.18	2,461.29
Excise Duty on Stock		57.66	230.53
(Increase)/Decrease in Stock	14	470.01	(696.34)
<b>SUB TOTAL</b>		<b>36,571.99</b>	<b>30,509.02</b>
Profit before Interest and Depreciation		10,121.04	10,336.60
Financial Expenses	15	2,030.51	2,871.40
Profit Before Depreciation		8,090.53	7,465.20
Depreciation		3,075.57	2,993.87
Profit Before Taxation		5,014.96	4,471.33
<b>Provision For Taxes</b>			
— Current Tax		357.72	357.27
— Deferred Tax		81.50	81.21
Profit For The Year after Tax		4,575.74	4,032.85
Less: Pre - Acquisition Profit		1.51	—
Minority Interest		0.20	—
Share of loss of Associates for the year		0.36	—
Profit after Minority Interest & Share of loss of Associates		4,573.67	4,032.85
Balance brought forward from previous year		5,790.00	6,067.89
Share in Associate Post acquisition Loss upto 31.3.2002		(0.09)	—
Balance of Loss of Subsidiary absorbed on Amalgamation		(1,135.25)	—
Excess/(short) provision for Tax for earlier year		(6.73)	(45.45)
Debenture Redemption Reserve written back		985.48	211.64
Amount Available For Appropriation		10,207.08	10,266.93
<b>APPROPRIATIONS</b>			
Transfer to Debenture Redemption Reserve		341.66	599.72
Transfer to General Reserve		500.00	500.00
Transfer to Capital Redemption Reserve		—	1,000.00
Proposed Dividend on Equity Shares		2,187.03	2,377.21
Tax on Dividends		280.21	—
Balance Carried To Balance Sheet		6,898.18	5,790.00
		10,207.08	10,266.93
Weighted number of Shares outstanding (Face Value Rs. 10/- per Share)		95,088,411	95,088,411
Earning per Share - Basic & Diluted		4.81	4.24

02 ANNUAL REPORT 55 03

### 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

(C.V. Thakker)  
Partner

Rahul Gautam Divan & Associates  
Chartered Accountants

(Rahul Divan)  
Partner

Sanjay Dalmia

Dr. B.C. Jain

H.H. Faruqi  
Directors

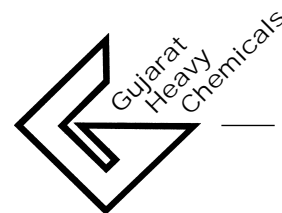
Place : New Delhi  
Date : 1<sup>st</sup> August, 2003

P. Sampath  
Sr. Executive Director

R.S. Jalan  
Sr. Executive Director

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

Place : Mumbai  
Date : 1<sup>st</sup> August, 2003


**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003**

	2002-2003 (Rs. in lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net Profit before tax and Extraordinary items	5,014.96
<b>Adjustment for :</b>	
Depreciation	3,075.57
Gain on Exchange (Net)	(18.68)
Income from Investments	(29.09)
Income From Dividend	(0.86)
Deficit on Sales/ Discarding of Fixed Assets ( Net)	106.56
Provision for Doubtful Debts	0.95
Provision for Leave encashment	26.08
Financial Expenses	2,030.51
<b>Operating Profit before Working capital Changes</b>	<b>10,206.00</b>
<b>Adjustments for :</b>	
Trade & other Receivables	(1,001.23)
Inventories	(53.57)
Trade payables	208.57
<b>Other Adjustments</b>	
Deferred Revenue Expenditure (to the extent not written off)	(252.00)
<b>Cash Generated from Operations</b>	<b>9,107.77</b>
Direct taxes paid	(669.23)
<b>A. Net cash from Operating Activities</b>	<b>8,438.54</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of Fixed Assets	(2,234.33)
Sale of Fixed Assets	98.78
Purchase of Investments	933.20
Acquisition of Subsidiaries/Advances in Subsidiaries	(1,075.85)
Interest Received	115.72
Income from Investment	29.09
Income From Dividend	0.86
<b>B. Net cash used in Investing Activities</b>	<b>(2,132.53)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceeds from Borrowing	850.00
Repayment of Secured Loans	(3,513.13)
Repayment of Unsecured Loans	(251.87)
Gain on Exchange	18.68
Interest & Finance Charges	(2,248.45)
Dividend paid	(2,332.33)
<b>C. Net Cash used in Financial Activities</b>	<b>(7,477.10)</b>
<b>Net Increase/ ( Decrease ) in Cash and Cash Equivalents (A+B+C)</b>	<b>(1,171.09)</b>
Cash and Cash Equivalents as at 1st April (Opening Balance)	3,167.42
Cash and Cash Equivalents taken over on Acquisition	38.69
Cash and Cash Equivalents as at 31st March (Closing Balance)	2,035.02

Note: Previous year's figures have not been given since no consolidated Cash Flow Statement was compiled in the previous year, as the consolidated figures for earlier year were not available for compilation.

As per our report attached

For and on behalf of

Jayantilal Thakkar & Co.  
Chartered Accountants

(C.V. Thakker)  
Partner

Rahul Gautam Divan & Associates  
Chartered Accountants

(Rahul Divan)  
Partner

Sanjay Dalmia

Dr. B.C. Jain

H.H. Faruqi  
Directors

Place : New Delhi  
Date : 1<sup>st</sup> August, 2003

P. Sampath  
Sr. Executive Director

R.S. Jalan  
Sr. Executive Director

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

Place : Mumbai  
Date : 1<sup>st</sup> August, 2003




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

	As at 2002-03 (Rs. in lacs)	As at 2001-02 (Rs. in lacs)
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
10,00,00,000 Equity Shares of Rs. 10/- each	10,000.00	10,000.00
2,50,00,000 Cumulative Redeemable Preference Shares of Rs. 10/- each	2,500.00	2,500.00
	<u>12,500.00</u>	<u>12,500.00</u>
<b>Issued, Subscribed and Paid up</b>		
9,50,88,411 Equity Shares (Previous year 9,32,50,400) of Rs. 10/- each fully paid up	9,508.84	9,325.04
Share Capital Pending Allotment	—	183.80
	<u>9,508.84</u>	<u>9,508.84</u>

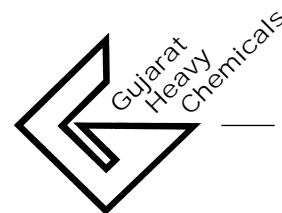
**Notes :**

- 2,12,50,400 Equity Shares of Rs. 10/- each fully paid up were issued to Financial Institution at par on conversion of loan of Rs. 2,125.04 lacs.
- 18,38,011 Equity Shares of Rs. 10/- each are issued as fully paid to the Shareholders of The Sree Meenakshi Mills Limited pursuant to the Scheme of Amalgamation for consideration other than cash on 23th July, 2002.

**SCHEDULE 2 : RESERVES AND SURPLUS**

02 ANNUAL REPORT 03

	As at 2002-03 (Rs. in lacs)	As at 2001-02 (Rs. in lacs)
<b>CAPITAL RESERVE</b>		
Cash subsidy	22.75	22.75
Government Subsidy for Housing	2.95	2.95
Surplus on re-issue of forfeited shares	15.50	15.50
	<u>41.20</u>	<u>41.20</u>
<b>DEBENTURE REDEMPTION RESERVE</b>		
As per last Balance Sheet	2,307.21	1,919.13
Transfer from Profit and Loss Account	341.66	599.72
	<u>2,648.87</u>	<u>2,518.85</u>
Transfer to Profit and Loss Account	985.48	211.64
	<u>1,663.39</u>	<u>2,307.21</u>
<b>CAPITAL REDEMPTION RESERVE</b>		
As per last Balance Sheet	1,000.00	—
Transfer from Profit and Loss Account	—	1,000.00
	<u>1,000.00</u>	<u>1,000.00</u>
<b>INVESTMENT ALLOWANCE RESERVE</b>		
As per last Balance Sheet	1,086.00	4,640.00
Transfer to General Reserve	—	3,554.00
	<u>1,086.00</u>	<u>1,086.00</u>
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	1,141.93	4,325.00
Transfer from Profit and Loss Account	500.00	500.00
Transfer from Investment Allowance Reserve	—	3,554.00
Transfer to Deferred Tax Liability Account	—	(7,237.07)
	<u>1,641.93</u>	<u>1,141.93</u>
<b>PROFIT AND LOSS ACCOUNT</b>		
Balance as per account annexed	6,898.18	5,790.00
	<u>12,330.70</u>	<u>11,366.34</u>

**SCHEDULE 3 : SECURED LOANS**

	As at 2002-03 (Rs. in lacs)	As at 2001-02 (Rs. in lacs)
<b>DEBENTURES</b>		
14.00% Non Convertible Debentures	334.00	500.00
13.15% Non Convertible Debentures	0.00	500.00
15.00% Non Convertible Debentures	2,000.00	3,000.00
14.50% Non Convertible Debentures - Series-I	0.00	250.00
13.15% Non Convertible Debentures - Series-II	0.00	500.00
15.00% Non Convertible Debentures - Series-III	1,500.00	1,500.00
13.50% Non Convertible Debentures	2,750.00	2,750.00
<b>FROM BANKS</b>		
Working Capital Loans	233.34	104.18
<b>FROM OTHERS</b>		
Rupee Term Loans - Financial Institutions	2,508.10	3,135.40
Rupee Term Loans - Exim Bank	2,500.00	2,250.00
Foreign Currency Loan	125.86	0.00
Foreign Currency Loan against Lease	12.40	0.00
Hire Purchase Loans	0.68	2.56
	<b>11,964.38</b>	<b>14,492.14</b>

**Notes:**

1. a) Term Loan from financial institutions has been secured against first mortgage on the specified movable & immovable properties of Soda Division at (1) Village Sutrapada & Kadwar, Veraval in Gujarat (2) Noida in U.P, (3) Ahmedabad properties and hypothecation of specified movable assets of the company, both present and future.
- b) Rupee Term Loan of Rs. 750 Lacs from Exim Bank is secured by exclusive first charge by way of equitable mortgage on immovable properties of Edible Salt Division situated at (i) Village Shelwali, Maharashtra (ii) Village Thiruporur Tamil Nadu and hypothecation of specified movable assets both present and future of the company's Edible Salt Division.
- c) Rupee Term Loan of Rs. 850 Lacs from Exim Bank is secured by exclusive first charge by way of mortgage on core assets of Textile Division situated at Paravai and Manaparai, Tamilnadu 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.
- d) Rupee Term Loan of Rs. 900 Lacs from Exim Bank is secured by exclusive first charge by way of hypothecation over movable fixed assets both present and future of the company's ITES Division.
- e) Long Term Loan of the Subsidiary is secured by all equipment and accounts receivable and guaranteed by the stockholder of the Company.
- f) Borrowing against the Leased Assets of the subsidiary is secured by the Computer and telephone equipment under lease.
2. a) 14% Non-Convertible Debentures are privately placed with Banks and will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 7th year from the date of allotment i.e. 8th December 1997 and 12th December 1997.
- b) 13.5 % (15% upto 7.4 .2002) Non-Convertible Debentures of Rs. 2000 Lacs privately placed with Financial Institutions will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 7th year from dates of allotment i.e. 15th May, 1998, 29th June 1998 and 17th August, 1998.
- c) 14.5% Non-Convertible Debentures Series - I privately placed with Bank has been redeemed at par at the end of the 4th year from the date of allotment i.e. 9th November 1998.
- d) 13% Non-Convertible Debentures Series - III are privately placed with Financial Institutions and will be redeemed at par in 3 equal installments at the end of 5th, 6th and 7th year from the date of allotment i.e. 2nd December 1998. Effective from 1.10.2002 , coupon rate of 15% has been reduced to 13%.
- e) 13.5% Non-Convertible Debentures are privately placed with Financial Institutions and will be redeemed at par in 3 equal instalments at the end of 5th, 6th and 7th year from the date of allotment i.e. 28th April 2000, 25th August 2000 and 6th November 2000.
- f) All the above Non convertible debentures except (13.50% - Rs. 2750 Lacs Non convertible debentures) are secured by registered mortgage in favour of the Trustee on immovable properties of Soda Ash Division situated at (i) Village Sutrapada near Veraval and Ahmedabad in Gujarat, (ii) Noida in Uttar Pradesh (iii) Kadwar, Taluka Veraval, in Gujarat both present and future ranking pari-passu with the charge referred to in note 1 (a) above and hypothecation of specified movable assets of Soda Ash Division.
- g) 13.50% - Rs. 2750 Lacs Non convertible debentures are secured by registered mortgage in favour of the Trustees on immovable properties of Soda Ash Division situated at Village Sutrapada near Veraval in Gujarat, both present and future ranking pari-passu with the charge referred to in note 1 (a) and 2 (h) above and hypothecation of specified movable assets of Soda Ash Division.
- 3) Working Capital Loans from Banks are secured by way of hypothecation of stock in trade and book debts and second charge on other movable assets including plant & machinery and immovable assets of the Soda Ash Division, both present and future.
- 4) Specified movable assets referred to in the above notes include all movable assets of Soda Ash Division (save and except book debts and assets acquired on Hire Purchase) both present and future but subject to prior charge created and/or that may be created in favour of Company's Bankers on stock-in-trade for securing borrowing for working capital.
- 5) Working Capital Loans of the Subsidiary are secured by equipment, furnishings and accounts receivable and are guaranteed by the stockholder of the Company.
- 6) Hire Purchase Loans are secured against specific assets acquired on Hire Purchase.

**SCHEDULE 4 : UNSECURED LOANS**

	<b>As at 2002-03 (Rs. in lacs)</b>	As at 2001-02 (Rs. in lacs)
Fixed Deposits	<b>101.84</b>	355.42
Other Loans and Advances:		
Interest-free Sales Tax loan	<b>72.40</b>	72.52
Others	<b>1.83</b>	—
<b>Total</b>	<b>176.07</b>	427.94

**SCHEDULE 5 : FIXED ASSETS**

(Rs. in lacs)

PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2002	Assets Aquired on Amalgamation	Additions (Deletions)	As at 31.03.2003	As at 01.04.2002	Adjustment on Amalgamation	Additions (Deletions)	As at 31.03.2003	As at 31.3.2003	As at 31.03.2002
Goodwill	262.32	—	955.07	1,217.39	52.46	—	110.04	162.50	1,054.89	209.86
Leasehold Land	600.62	—	—	600.62	59.42	—	5.93	65.35	535.27	541.20
Freehold Land	4,973.34	—	—	4,973.34	—	—	—	—	4,973.34	4,973.34
Buildings	7,811.81	—	384.21 (74.25)	8,121.77	1,482.08	—	183.32 (2.48)	1,662.92	6,458.85	6,329.73
Plant and Machinery	46,379.78	421.58	2,128.94 (162.81)	48,767.49	23,001.11	340.53	2,618.81 (45.67)	25,914.78	22,852.71	23,378.67
Salt Works Reservoirs and Pans	1,324.96	—	—	1,324.96	1,324.96	—	—	1,324.96	—	—
Furniture and Fixtures	737.41	8.25	3.15 (0.06)	748.75	183.47	27.17	57.91 (0.01)	268.54	480.21	553.94
Office Equipments	892.02	246.16	142.42 (6.19)	1,274.41	472.65	122.81	61.33 (2.68)	654.11	620.30	419.37
Vehicles	257.97	—	50.54 (29.70)	278.81	98.96	—	24.60 (16.83)	106.73	172.08	159.01
Software	—	53.01	9.34	62.35	—	12.10	13.63	25.73	36.62	—
<b>Total</b>	<b>63,240.23</b>	<b>729.00</b>	<b>3,673.67 (273.01)</b>	<b>67,369.89</b>	<b>26,675.11</b>	<b>502.61</b>	<b>3,075.57 (67.67)</b>	<b>30,185.62</b>	<b>37,184.27</b>	<b>36,565.12</b>
Previous Year	61,507.29	—	1,875.56 (142.62)	63,240.23	23,704.42	—	2,993.87 (23.18)	26,675.11	36,565.12	—

1. Building include a sum of Rs. 91.36 Lacs (Previous Year Rs. 91.36 Lacs) being cost of office premises acquired on ownership basis.

02 ANNUAL  
REPORT 03

**SCHEDULE 6 : INVESTMENTS**

	As at 2002-03 (Rs. in lacs)		As at 2001-02 (Rs. in lacs)	
<b>LONG TERM INVESTMENTS (AT COST) OTHER THAN TRADE</b>				
<b>Unquoted</b>				
Govt securities - 7 year National Savings Certificates (Pledged with Central Excise and other Authorities) (NSCs encashed during the year is Rs. 2.75 Lacs and adjusted is Rs. 0.55 Lacs.)		7.77		11.07
5000 Equity Shares of Rs 10/- each fully paid up of GHCL Co-operative Society Limited.		0.50		0.50
1277800 Equity shares of Rs. 10/- each fully paid up of DSS Mobile Communications Limited.		146.95		146.95
3950000 Equity shares of Rs. 10/- each fully paid up of SDT Enterprises Private Limited	395.00			
Add: Goodwill	59.25			
Less: Share of Loss	(0.45)	453.80		454.25
10 Equity shares of Rs. 10/- each fully paid up of Kodaikanal Co op Stores Limited (Rs.100/-)				
50 Equity shares of Rs. 20/- each fully paid up of Pudukottai Central Co op Supply & Marketing Society Limited.		0.01		0.01
10 Equity shares of Rs. 10/- each fully paid up of Pandian Co op Super Market Limited. (Rs. 100/-)				
NIL (3) Equity shares of GHCL Overseas Limited of Rs. 10/- each fully paid up (Rs. NIL) (previous year Rs. 30) of Rs. 10/- each fully paid up				
100 15.75% Secured redeemable Non Convertible Bonds Rs. 50000 each of Krishna Bhagya Jal Nigam Limited		50.00		50.00
17.5% Rajasthan State Electricity Board Bonds (Face value Rs. 20.00 lacs) (Partly redeemed during the year)		19.50		39.00
15 15.5% Secured redeemable non convertible regular return Bonds of Rs. 100000 each of Sardar Sarovar Narmada Nigam Limited.		15.00		15.00
<b>Quoted</b>				
16300 Equity shares of IDBI Bank Limited. of Rs. 10/- each fully paid up		2.93		2.93
8300 Equity shares of HDFC Bank Limited of Rs. 10/- each fully paid up		0.83		0.83
57120 Equity shares of IDBI Limited of Rs. 10/- each fully paid up		46.41		46.41
1860 Equity shares of Gnanambigai Mills Limited of Rs. 10/- each fully paid up		0.21		0.21
10 Equity shares of Sree Uma Parameshwary Mills Limited of Rs. 10/- each fully paid up (Rs.100/-)				
4500 Equity shares of Canara Bank of Rs. 10/- each fully paid up (Subscribed during the year)		1.58		—
<b>CURRENT INVESTMENTS (UNQUOTED)</b>				
NIL Units of PruCICI Gilt Fund (Prevoius Year 193914 units at Rs. 10.3136) (Sold during the year)		—		19.93
872260.192 Units of JM High Liquidity Fund - Growth at Rs. 16.7381 (Prevoius Year 185185.18 units at Rs. 10.80)		146.00		20.00
NIL Units of Grindlays Cash Fund (Prevoius Year 626239.43 units at Rs. 10.5391, sold during the year)		—		66.00
NIL Units of Zurich India Income Fund (Prevoius Year 956218.04 units at Rs. 11.7128, sold during the year)		—		112.00
8008.918 Units of Templeton India Treasury Management Growth at Rs. 1504.5728 per Unit (purchased during the year)		120.50		—
943021.6398 Units of Kotak Mahendra Liquid Institutional Plan - Growth at Rs. 12.0888 per unit (purchased during the year)		114.00		—
		<b>1,125.99</b>		<b>985.09</b>
	<b>As at 31.3.2003</b>		<b>As at 31.3.2002</b>	
	<b>Book Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>Market Value</b>
Quoted	51.96	35.20	50.47	33.42
Others	1,074.03		934.62	
	<b>1,125.99</b>		<b>985.09</b>	

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



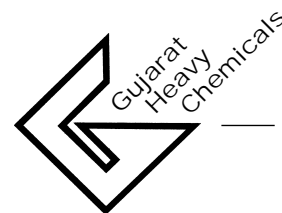
DETAILS OF INVESTMENTS PURCHASED & SOLD DURING THE YEAR 2002-03

Particulars	No. of units
BIRLA Cash Plus - Growth	156,737
BIRLA Bond Plus - Growth	2,487,808
HDFC Short Term Plan - Growth	505,215
HDFC Liquid fund - Growth	3,628,561
IDBI Principal Income fund STP Growth	500,000
Prudential ICICI Short Term Plan- Cumulative	247,705
IL&FS Bond Fund - Bonus Plan	482,694
Templeton floating rate income fund - Short Term Plan- Growth	4,419,485
Templeton India Short Term Income Plan - Growth	8,221
Templeton India Treasury Management Account- Growth	170,601
Templeton India Liquid Fund - Growth Plan	822,049
Grindlays Cash Fund - Growth	45,761,337
Grindlays Super Saver Income fund STP - Growth	18,882,137
K Bond (Wholesale Plan) - Bonus Option	189,912
K Bond Short Term Plan - Growth	9,086,514
Kotak Mahindra Liquid Institutional Plan - Growth	6,587,673
Kotak Mahindra Liquid Scheme - Growth	22,302,111
JM High Liquidity fund - Growth Plan	15,960,439
JM Short Term fund - Growth Plan	6,178,131
JM Income Fund Growth - Bonus	185,185
Zurich India High Interest Fund STP - Growth	7,130,828
Zurich India Liquidity Fund Saving Plan Growth	90,940,463
Birla Sun Life Mutual Fund	6,398
	<u>236,640,202</u>

SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES

	As at 2002-03 (Rs in lacs)	As at 2001-02 (Rs in lacs)
<b>CURRENT ASSETS</b>		
<b>Inventory (as taken, valued and certified by the Management)</b>		
At cost or net realisable value whichever is lower		
Raw materials	3,383.27	2,513.46
Finished goods	949.30	1,445.18
Stock in process	147.14	121.27
Stores and spares	2,120.08	2,466.31
<b>Total</b>	<u>6,599.79</u>	<u>6,546.22</u>
<b>Sundry Debtors (Unsecured, considered good unless stated otherwise)</b>		
Outstanding over six months		
Considered good	144.99	129.83
Considered doubtful	12.51	4.41
Provision for Doubtful Debts	(12.51)	(4.41)
	<u>144.99</u>	<u>129.83</u>
Other debts	4,346.20	4,388.82
<b>Total</b>	<u>4,491.19</u>	<u>4,518.65</u>
<b>Cash &amp; Bank Balances</b>		
Cash balance on hand	19.83	14.75
Balances with Scheduled Banks		
In Current Accounts	1,417.84	18.69
In Fixed deposit	381.43	2,327.16
Remittances in transit	215.92	806.82
<b>Total</b>	<u>2,035.02</u>	<u>3,167.42</u>
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received		
	2,493.98	2,962.89
Interest Accrued on Investments	8.22	12.39
Balances with Customs, Port Trust, Central excise etc.,	240.50	289.28
Income Tax paid/Tax Deducted at Source (net of provisions)	338.18	33.40
Fixed Deposits with Sardar Sarover Narmada Nigam Ltd. (pledged with Collector of Bhavnagar Rs 6.00 lacs)	11.00	11.00
	<u>3,091.88</u>	<u>3,308.96</u>



**SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS**

	As at 2002-03 (Rs. in lacs)	As at 2001-02 (Rs. in lacs)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors for Goods and Expenses	4,431.11	4,575.89
Sundry Creditors for Capital Expenditure	898.67	171.29
Sundry Creditors-Small Scale Industrial Undertakings	9.66	10.20
Advances from Customers	313.86	768.63
Trade Deposits from Dealers	115.18	130.69
* Investor Education & Protection Fund shall be credited by		
— Unclaimed Dividend	199.89	155.01
— Unclaimed Fixed Deposits	25.78	46.00
— Interest Accrued on Unclaimed Fixed Deposits	3.48	5.05
Other liabilities	6,383.71	5,279.78
Interest accrued but not due	57.56	148.72
<b>Total</b>	<b>12,438.90</b>	<b>11,291.26</b>
<b>PROVISIONS</b>		
Wealth Tax	31.95	31.95
Proposed Dividends On Equity Shares	2,187.03	2,377.21
Tax on Dividends	280.21	—
<b>Total</b>	<b>2,499.19</b>	<b>2,409.16</b>

\* The figure reflects the position as of 31st March 2003. 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**

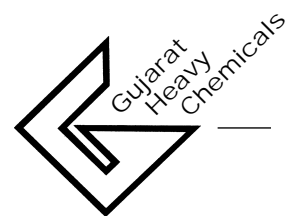
	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
Income on Investments (other than trade)	29.09	22.58
(Tax Deducted at Source Rs. 3.22 lacs, Previous year Rs. 3.76 lacs)		
Dividend Income	0.86	2.22
(Tax Deducted at Source Rs. 0.09 lacs, Previous year NIL)		
Gain on Exchange (Net)	18.68	46.40
Profit on sale of assets (net)	—	5.70
Profit on Sale of Investment	17.57	—
Recovery from Bad debts	2.65	33.06
Claims Received	114.28	—
Sundry Credit Balances Written back	82.33	—
Miscellaneous Income	91.77	155.17
<b>Total</b>	<b>357.23</b>	<b>265.13</b>

**SCHEDULE 10 : MANUFACTURING EXPENSES**

	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
<b>Raw Materials consumed</b>	<b>11,600.03</b>	<b>11,530.57</b>
Stores and Spares	1,264.35	1,599.11
Repairs and Maintenance		
Machinery	713.92	571.65
Building	35.97	87.40
Others	67.33	22.63
	<b>817.22</b>	<b>681.68</b>
Power, Fuel and Water	6,967.92	6,517.75
Other Manufacturing Expenses	879.40	583.22
Packing Expenses	1,216.45	1,206.27
<b>Total</b>	<b>22,745.37</b>	<b>22,118.60</b>

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

	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
Salaries, Wages and Bonus	4,293.84	2,565.39
Contribution to PF and other funds	709.16	477.88
Staff Welfare	189.72	169.16
Provision for Leave Encashment	26.08	12.52
<b>Total</b>	<b>5,218.80</b>	<b>3,224.95</b>

**SCHEDULE 12 : ADMINISTRATIVE AND MISCELLANEOUS EXPENSES**

	<b>2002-2003</b> <b>(Rs. in lacs)</b>	2001-2002 (Rs. in lacs)
Travelling & Conveyance	607.73	508.33
Rent and Lease Rent	244.22	175.63
Rates and Taxes	45.69	18.77
Insurance	329.63	317.10
Auditors' Remuneration	11.17	11.58
Commission to Directors	121.72	84.79
Communication Expenses	361.09	318.62
Legal & Professional Expenses	777.83	390.60
Miscellaneous Expenses	768.99	518.51
Deferred Revenue Expenditure Written Off	300.22	283.43
Bad Debts/Irrecoverable amounts written off (net)	24.20	4.13
Provision for Doubtful Debts	0.95	1.52
Deficit on Sales/Adjustment of Fixed Assets (Net)	106.56	31.49
<b>Total</b>	<b>3,700.00</b>	<b>2,664.50</b>

**SCHEDULE 13 : SELLING AND DISTRIBUTION EXPENSES**

	<b>2002-2003</b> <b>(Rs. in lacs)</b>	2001-2002 (Rs. in lacs)
Cash Discount	434.44	362.34
Freight and Forwarding	2,705.08	1,665.69
Commission on Sales	535.39	428.41
Rent on Godowns	4.27	4.85
<b>Total</b>	<b>3,679.18</b>	<b>2,461.29</b>

02 **63** 03  
ANNUAL  
REPORT

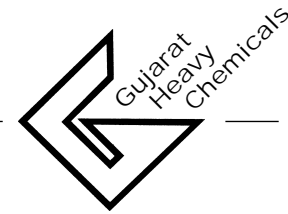
**SCHEDULE 14 : (INCREASE)/DECREASE IN STOCK**

	<b>2002-2003</b> <b>(Rs. in lacs)</b>	2001-2002 (Rs. in lacs)
<b>Opening Stock</b>		
Finished Goods	1,423.24	775.75
Trading Goods	21.94	31.39
Stock in Process	121.27	62.97
<b>Closing Stock</b>		
Finished Goods*	949.30	1,423.24
Trading Goods	0.00	21.94
Stock in Process	147.14	121.27
(Increase)/Decrease in Stock	<b>470.01</b>	<b>(696.35)</b>

\*Previous year Includes Finished Goods Rs. 655.50 Lacs taken over consequent to Scheme of Amalgamation of The Sree Meenakshi Mills Limited with the Company.

**SCHEDULE 15 : FINANCIAL EXPENSES**

	<b>2002-2003</b> <b>(Rs. in lacs)</b>	2001-2002 (Rs. in lacs)
Interest - Fixed Loans	1,646.23	2,025.56
- Others	180.99	284.02
Other Financial Charges	319.01	673.72
	<b>2,146.23</b>	<b>2,983.30</b>
Less: Interest Income	115.72	111.90
	<b>2,030.51</b>	<b>2,871.40</b>



**SCHEDULE 16 : NOTES TO CONSOLIDATION ACCOUNTS**

**1 CONSOLIDATION**

**A. Subsidiaries**

- a Gujarat Heavy Chemicals Limited (GHCL), together with its subsidiaries Colwell & Salmon Communications, Inc., USA (C & S USA), in which the Parent Company has 69% holding and Colwell & Salmon Communications India Limited, India (C & S India) in which the Parent Company has 100% holding (Collectively "The Group") is engaged in the business of manufacturing and trading of Soda Ash, Salt, Yarn and IT enabled services. Further, these consolidated statements have been prepared to meet the requirements of Clause 32 of the listing agreement with the Stock Exchanges.
- b The consolidated financial statements of the group have been combined on line- by- line basis by adding together book value of like items of assets, liabilities, Income and Expenses in accordance with Accounting Standard (AS - 21) on Consolidated Financial Statements issue by institute of Chartered Accountants of India.
- c C & S USA became a subsidiary with effect from 11th Decemeber, 2002 and C & S India became a subsidiary from 24th January, 2003 and the results for the year ended on 31st March, 2003 have been included in this Consolidation.
- d C & S India has not commenced commercial operation till 31st March, 2003 therefore, the assets and liabilities of the Indian subsidiary are consolidated.
- e All material inter- company balances and transactions are eliminated on consolidation.
- f The excess of costs to the Company of its investments in the Subsidiary Company over its share of the equity of the Subsidiary Company, at the date on which the investments in the Subsidiary Company are made, is recognised as "goodwill" being an asset in the consolidated financial statements.
- g Minority interest in the net assets of the Subsidiary consists of the amount of equity attributable to the minority shareholders at the date on which investments are made by the Company in the Subsidiary Companies and further movements in their share in the equity, subsequent to the date of investments, profit or loss attributable to the equity.
- h Revenue and expenses are translated into Indian Rupee at average rate for the year. Fixed Assets, Share Capital and Reserves as on 1.4.2002 are translated into Indian Rupee on the prevailing rate on the same day. All other Assets and Liabilities are translated into Indian Rupee at the rate of exchange prevailing as at Balance Sheet Date.
- 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 Subsidiary write off cost of software over different number of years and also provide depreciation at/ by different rate.
  - 2. The Parent and the Subsidiary follows their local Guidelines for accounting the leases.

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

**B. Associates**

- (a) Investments in Associate Companies have been accounted under the equity method as per Accounting Standard (AS-23) on Accounting for Investments in Associates in Consolidated Financial Statements issued by The Institute of Chartered Accountants of India.
- (b) The detail of Investments in Associates is given below:

(Rs. in lacs)					
Associates Company	Ownership interest & voting Power	Book Value	Amount of Goodwill included in original cost	Accumulated Profit at the year end*	Carrying amount of Investment at the year end
SDT Enterprises Pvt Ltd.	25.90%	395.00	59.25	(0.45)	453.80

\* Includes share of loss in Associate Rs. 0.09 lacs as on 1.4.2002.

- (c) Company's share of contingencies and capital commitment of its associates, for which Company is also contingently liable, is Rs. Nil (Previous Year : Rs. Nil)

**2. SIGNIFICANT ACCOUNTING POLICIES**

**General**

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

**Revenue Recongnition**

Sales represent value of goods sold as reduced by quality claims and rebates but includes excise duty, sales tax and export benefits under Duty Entitlement Pass Book Scheme.

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







## Fixed Assets and Depreciation

Fixed Assets are stated at cost less depreciation. Depreciation is provided on straight-line method at the rates and in the manner prescribed under local laws. Continuous process plant as defined therein have been taken on technical assessment and depreciation is provided accordingly. Assets acquired during the year whose cost does not exceed Rs. 5000 are fully depreciated in the year of acquisition.

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

## Investments

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

## Inventories

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

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

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

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

## Foreign Currency Transactions

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

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

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

Foreign Currency Account with the Bank is converted at the rates prevailing on the date of the Balance Sheet.

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

## Retirement Benefits

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

The Company has taken a Group Gratuity Policy for payment of gratuities to the retiring employees and the premiums paid to LIC is charged to the Profit and Loss Account. In the case of Yarn division, provision for gratuity has been made on the basis of actuarial valuation .

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

## Deferred Revenue Expenditure

Deferred Revenue expenses are amortized/written off over the number of years in which the benefits are expected to accrue to the Company as determined by the Management.

## Borrowing Cost

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

## Leases

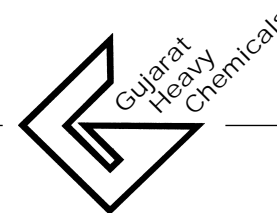
Leases entered into before 1st April 2001 are treated as operating leases and lease rentals paid are charged to profit and loss account. Leases entered into on or after 1st April, 2001 are to be accounted in accordance with AS - 19 Leases, issued by the Institute of Chartered Accountants of India.

## Goodwill

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

## Taxation

Income - tax expenses comprises current tax and deferred tax charge or credit. The deferred tax assets and liability is calculated by applying tax rate and tax laws that have been enacted at the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation (due to amalgamation) under tax laws, are recognised, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing difference are



recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to re-assess realisation.

**Change in Accounting Policy**

**Inventories**

Hitherto the company was adjusting spares on consumption basis. From the current year 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., Due to this change, the profit for the year and Stores and Spares inventory is less by Rs. 76.15 Lacs.

	As at 31.3.2003 (Rs. in lacs)	As at 31.3.2002 (Rs. in lacs)
3. (a) Estimated value of contracts remaining to be executed on Capital Account and not provided for.	214.26	137.27
(b) Contingent Liabilities :		
(i) Guarantees issued by banks	333.96	171.77
(ii) Letters of Credit	0.00	6.42
(iii) Bills discounted with banks (Since realised)	705.94	771.66
(iv) Claims against the Company not acknowledged as debts		
- Income Tax and Wealth Tax	347.14	—
- Sales Tax	213.10	—
- Excise matters	125.36	196.87
- Other claims	262.53	394.45
(c) Outstanding Commitments on Finance Lease rentals	2.86	189.31

4. Advances recoverable in cash or in kind include Rs.450 lacs (Previous year Rs.450 lacs) paid as advance towards purchase of Salt fields at Vedaranyam (Tamilnadu). Application for transfer of lease rights/extension of lease period which has expired in March 2003, has been filed with Appropriate Authorities. The said advances are secured by Bank Guarantee for the equivalent amount.

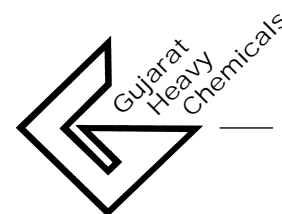
**5. Disclosure in respect of Amalgamation in accordance with AS -14 Accounting for Amalgamation**

Name	Transferor Company	Icon Data Management Ltd wholly owned subsidiary of the Transferee Company
	Transferee Company	Gujarat Heavy Chemicals Ltd.
General Nature of Business of Amalgamating Companies	Transferor Company	IT Enabled Services
	Transferee Company	Manufacturing of Soda Ash Edible Salt & Yarn
Effective Date of Amalgamation for accounting purposes	1st February, 2003	
The method of accounting used to reflect the amalgamation	Polling of Interest Method	
Particulars of the Scheme sanctioned under section 391/394 of the Companies Act, 1956	Pursuant to the Scheme of Amalgamation approved by Hon'ble High Court of Gujarat vide their order dated 17/03/2003 all the assets and liabilities of the Transferor Company has been accounted for under Pooling of Interest Method in the books of the Transferee Company as per Accounting Standard 14. The entire Share Capital of the transferor Company and investment in transferee company stands automatically cancelled.	

**6. Additional Disclosure on Amalgamation**

- a) The company has taken over 69% of the equity of Colwell & Salmon Communications, Inc. USA under the Scheme of Amalgamation with erstwhile Icon Data Management Limited and as per the Stock Purchase Agreement will acquire further 14.33% in the said company (7.00% on 31st October 2003 and 7.33% on 10th January 2005 i.e .140 fully paid up equity shares at US\$ 0.21 million and 147 fully paid up equity shares at US\$ 0.22 million respectively). The company has also committed to pay a deferred contingent considerations of US \$ 0.50 million to the sellers by December 31, 2003 upon their fulfilling certain conditions.
  - b) The Company has given a Corporate Guarantee of Rs. 125 lacs to the Custome authorities for Duty free import of Capital goods which is still outstanding.
  - c) The export obligation on account of duty free import aggregating to Rs. 1345.32 lacs remains outstanding as on date.
7. Financial Expenses include Rs. 177.13 lacs (Previous year Rs. 544.70 lacs) on lease rentals paid on machinery acquired on Financial Lease.
8. Provision for taxation includes Rs.2.00 lacs (previous year Rs. 2.00 lacs) for wealth tax and current income tax Rs.355.72 Lacs (previous year : Rs. 355.27Lacs) and deferred tax charges of Rs. 81.50 Lacs (previous year : Rs. 81.21 Lacs).





- 9 i) Fixed Deposits include Rs.94.91 lacs (Previous year Rs. 239.67 lacs) due within one year.
- ii) Interest Free Sales Tax Loan include Rs.14.47 lacs (Previous Year Rs.0.12 lacs) due within one year.
- 10 Sundry Debtors, Creditors and Loans and Advances are subject to confirmation and consequential adjustment, if any.
- 11 Unquoted Investments include equity shares of Rs. 146.95 lacs (Previous Year Rs. 146.95 lacs) , Rs. 454.25 lacs (Previous Year Rs. 454.25 Lacs) in DSS Communications Limited, and SDT Enterprises Private Limited respectively. These investments are of long term strategic value. In the opinion of the management the current diminution in the value of these investments is temporary in nature considering the inherent value and nature of investee's business proposals.
- 12 Borrowing costs capitalised during the year Rs. 23.45 Lacs (Previous year Rs. 5.01 lacs)
- 13 The value of Finished Goods include excise duty not paid Rs. 57.66 Lacs (previous year Rs. 230.53 Lacs) .This has however, no impact on the profit for the year.
- 14 Pending completion of relevant formalities for transfer of some of the assets acquired pursuant to the Scheme of Amalgamation, in the name of the Company, such assets continue to be in the name of erstwhile The Sree Meenakshi Mills Limited.
- 15 Pending registration of sale deed, Agreements for sale have been concluded in respect of 558 colony houses of Yarn Division at Madurai as on 31.03.2002 for a total sale consideration of Rs.99.84 lacs and the Company has received the sum of Rs.92.71 lacs towards sale consideration.
- 16 In terms of a scheme under which the company has availed subsidy of Rs.2.94 lacs for colony houses at Madurai which are under sale, the Government has the right to recover the amount of subsidy together with interest thereon, if the stipulated conditions at the time of disbursements are not adhered to.
- 17 The Loans & Advances include (i) Rs. 34000/- Advance against accommodation paid to the Director (Previous Year -Nil) Maximum outstanding balance during the year Rs.34000/-(Previous Year- Nil) and lease rent includes Rs. 102000 paid to the Directors (Previous Year -Nil). (ii) Rs. Nil Advance paid to the Officers of the Company (Previous Year - Rs.73333/-). Maximum outstanding balance during the year Rs.73,333/-(Previous Year- Rs. 80,000/-)

**18 Segment**

The company's operations predominantly relate to Manufacturing of Inorganic Chemicals, Yarn & IT enabled services. The Primary segment reporting is made based on Product basis i.e.Soda ash, Yarn & others. Secondary reporting is performed on the basis of the geographical location of Customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note of group significant accounting policies.

Income and direct expenses in relation to segments is categorised based on items that are individually identifiable to the segment, while the balance cost are categorised as unallocated corporate expenses. Fixed assets used in the segment are directly reported under the segment to the extent identifiable.

Geographical revenue are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognised i.e., India & Rest of World.



**BUSINESS SEGMENT**

	Rs. Lacs							
	Soda Ash		Yarn		Others		Total	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
<b>SEGMENT REVENUE</b>								
External Revenue	34,723.65	32,965.19	6,150.39	5,178.06	5,461.77	2,437.24	46,335.81	40,580.49
Inter Segment Revenue								
<b>Total Revenue</b>	<b>34,723.65</b>	<b>32,965.19</b>	<b>6,150.39</b>	<b>5,178.06</b>	<b>5,461.77</b>	<b>2,437.24</b>	<b>46,335.81</b>	<b>40,580.49</b>
<b>SEGMENT RESULT</b>	<b>6,971.17</b>	<b>8,366.05</b>	<b>2.27</b>	<b>(320.47)</b>	<b>(44.21)</b>	<b>(757.70)</b>	<b>6,929.23</b>	<b>7,287.88</b>
Unallocated Corp Expenses.(Net)							240.98	210.28
Operating Profit	6,971.17	8,366.05	2.27	(320.47)	(44.21)	(757.70)	6,688.25	7,077.60
Interest Expenses							2,030.51	2,871.40
Interest Income								
Other Income	243.90	146.22	60.58	88.47	4.38	5.64	308.86	240.33
Unallocated Corporate Other Income							48.36	24.80
<b>Total Other Income</b>	<b>243.90</b>	<b>146.22</b>	<b>60.58</b>	<b>88.47</b>	<b>4.38</b>	<b>5.64</b>	<b>357.22</b>	<b>265.13</b>
Profit from Ordinary Activities	7,215.07	8,512.27	62.86	(232.00)	(39.84)	(752.06)	5,014.96	4,471.33
Extraordinary Items								
<b>NET PROFIT BEFORE TAXES</b>	<b>7,215.07</b>	<b>8,512.27</b>	<b>62.86</b>	<b>(232.00)</b>	<b>(39.84)</b>	<b>(752.06)</b>	<b>5,014.96</b>	<b>4,471.33</b>
<b>OTHER INFORMATION</b>								
Segment Assets	32,467.62	34,938.92	12,099.00	9,485.10	7,114.21	5,575.49	51,680.83	49,999.51
Unallocated Corp. Assets							4,839.78	6,814.47
<b>Total Assets</b>	<b>32,467.62</b>	<b>34,938.92</b>	<b>12,099.00</b>	<b>9,485.10</b>	<b>7,114.21</b>	<b>5,575.49</b>	<b>56,520.61</b>	<b>56,813.98</b>

# Gujarat Heavy Chemicals Limited



Rs. Lacs

	Soda Ash		Yarn		Others		Total	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
Segment Liabilities	8,918.77	7,862.00	2,604.02	2,226.66	927.79	369.33	12,450.58	10,457.99
Unallocated Corp. Liabilities							22,230.50	23,103.60
<b>Total Liabilities</b>	<b>8,918.77</b>	<b>7,862.00</b>	<b>2,604.02</b>	<b>2,226.66</b>	<b>927.79</b>	<b>369.33</b>	<b>34,681.08</b>	<b>33,561.59</b>
Capital Expenditure	533.56	616.67	1,668.62	368.15	1,401.11	1,518.61	3,603.29	2,503.43
Unallocated Capital Expenditure							41.92	270.44
<b>Total Capital Expenditure</b>	<b>533.56</b>	<b>616.67</b>	<b>1,668.62</b>	<b>368.15</b>	<b>1,401.11</b>	<b>1,518.61</b>	<b>3,645.21</b>	<b>2,773.87</b>
Depreciation	2,549.54	2,546.01	194.18	188.26	275.86	204.42	3,019.58	2,938.69
Unallocated Depreciation							55.99	55.18
<b>Total Depreciation</b>	<b>2,549.54</b>	<b>2,546.01</b>	<b>194.18</b>	<b>188.26</b>	<b>275.86</b>	<b>204.42</b>	<b>3,075.57</b>	<b>2,993.87</b>
Non-Cash Expenses other than Depreciation	297.01	298.45	51.95	47.27	31.35	55.56	380.31	401.28
Unallocated Non Cash Expenses other than Depreciation							39.96	40.09
<b>Total Non Cash Expenses other than Depreciation</b>	<b>297.01</b>	<b>298.45</b>	<b>51.95</b>	<b>47.27</b>	<b>31.35</b>	<b>55.56</b>	<b>420.27</b>	<b>441.37</b>

## GEOGRAPHICAL SEGMENT

Particulars	India		Rest of The World		Total	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
Segment Revenue	40,008.43	42,076.00	12,255.05	4,655.89	52,263.48	46,731.89
Carrying Costs of Segment Assets	37,719.54	38,286.33	1,510.71	—	39,230.25	38,286.33
Additions to Fixed Assets and Intangible Assets	3,320.52	2,599.09	93.70	174.78	3,414.22	2,773.87

## 19 Related Party Transactions:

### a Associates :

SDT Enterprises Private Limited

### b Key Management Personnel:

S K Mukherjee, Managing Director  
P Sampath, Executive Director - Finance  
R S Jalan, Executive Director - Textiles  
Tej Melhotra, Executive Director -Works  
N S Ramachandran, Executive Director - Marketing  
K K Ahuja, Executive Director - HR

### c Relative of Key Management Personnel:

Sashi Malhotra w/o Tej Malhotra

## Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March, 2003

Type of Transactions	Associates	Key Management Personnel	Relative of Key Management Personnel
1 Purchase or Sale of Fixed Assets		0.06	
2 Leasing & Hire purchase transactions		1.02	1.02
3 Finance:			
- Advances for Rental Accommodation		0.34	
4 Remuneration		178.99	
5 Balances as on 31st March, 2003			
- Investments	454.25		
- Advances for Rental Accommodation		0.34	

Rs. lacs



# Gujarat Heavy Chemicals Limited



## 20 Deferred Tax

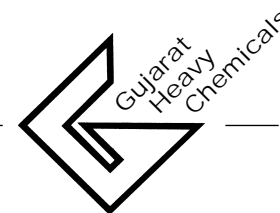
	As at 1.4.2002	Taken Over on amalgamation of erstwhile IDML	Current Year Charge/(Credit) (Parent)	Current Year Charge/(Credit) (Subsidiary)	As At 31.3.2003
a) Deferred tax liability on account of:					
i) Depreciation	7,096.71	88.22	(23.17)	6.53	7,168.29
ii) Others					
- Deferred Revenue Expenditure	242.70	65.11	60.85		368.66
- U/s 481 of USA				42.84	42.84
	<b>7,339.41</b>	<b>153.33</b>	<b>37.68</b>	<b>49.37</b>	<b>7,579.79</b>
b) Deferred tax assets on account of:					
i) Employee Benefit	1.53	2.05	1.24		4.82
ii) State & Central Taxes & Cess	19.60	—	4.31		23.91
	<b>21.13</b>	<b>2.05</b>	<b>5.55</b>	<b>0.00</b>	<b>28.73</b>
<b>Total</b>	<b>7,318.28</b>	<b>151.28</b>	<b>32.13</b>	<b>49.37</b>	<b>7,551.06</b>
c) In accordance with Accounting Standard 22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, the deferred tax charges of Rs. 81.50 lacs (Previous Year Rs. 81.21 lacs) for the year has been recognised in the Profit & Loss Account.					

	<u>2002-2003</u> <u>(Rs. in lacs)</u>	<u>2001-2002</u> <u>(Rs. in lacs)</u>
21 Auditors' Remuneration includes :		
(a) To Statutory Auditors :		
Audit fee	<b>6.00</b>	6.40
Tax Audit Fee	<b>0.60</b>	0.70
Certification and Review Report	<b>2.85</b>	2.98
Out of pocket expenses (Incl. Service Tax)	<b>0.85</b>	0.97
(b) To Cost Auditors :		
Audit Fee *	<b>0.77</b>	0.50
Out of pocket expenses (Incl. Service Tax)	<b>0.10</b>	0.03
* includes Rs. 13,500/ = pertaining to year 2001-02.		

## 22 Managerial Remuneration

(a) Wholtime Directors		
Salaries	<b>71.47</b>	45.30
Contribution to Provident and Superannuation funds	<b>10.99</b>	7.87
Perquisites	<b>17.54</b>	15.68
Gratuity & Leave encashment	<b>2.27</b>	1.67
Commission	<b>76.72</b>	55.00
(b) Other Directors		
Sitting Fees	<b>4.05</b>	3.16
Commission	<b>45.00</b>	29.79





23 **Deferred Revenue Expenditures:**

Deferred Revenue Expenditures Comprises of

a **Voluntary Retirement Scheme expenses**

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

b **Salt Pans**

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

c **Software**

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

d **Infrastructure and others**

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

e **Prepayment Premium**

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

24 Sundry Creditors includes Rs.3.82 lacs (Previous Year Rs. 10.20 Lacs) due to small scale industrial undertakings to the extent identified from the records of the company as outstanding for more than 30 days from the following parties.

	Rs. Lacs
— Gowtham Paper Products	1.65
— Priya Textile Cones	2.09
— Sri Venkateshwara Packagings	0.08

25 Disclosure as per amendment to 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 31.03.03	Max Balance outstanding during the year	Investment in shares of the Company
Colwell & Salmon Communications India Limited	Subsidiary	1.79	1.79	NIL
Icon Data Management Limited	Subsidiary (Upto 31.01.03)	NIL	2,644.81	NIL (Upto 31.01.03)

ii) Loans and Advances in the nature of Loans where there is no interest :  
Employee Loan Rs. 98.59 lacs

26 Current year figure's are not comparable with previous year due to Amalgamation of the Icon Data Management Limited effective 1st February, 2003.

27 Previous year's figures have been regrouped wherever necessary.



As per our report attached

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

(C.V. Thakker)  
Partner

Place : Mumbai  
Date : 1<sup>st</sup> August, 2003

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

(Rahul Divan)  
Partner

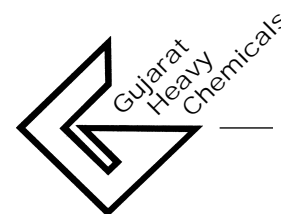
Sanjay Dalmia

Dr. B.C. Jain

H.H. Faruqi  
Directors

Place : New Delhi  
Date : 1<sup>st</sup> August, 2003

P. Sampath  
Sr. Executive Director  
R.S. Jalan  
Sr. Executive Director  
J.P. Mehrotra  
Sr. General Manager (Finance)  
& Company Secretary



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

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

Dear Sirs,

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

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

For shares held in physical form For office use only

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

For shares held in electronic form

DP Id	
CL Id	

Name of first holder	
Bank Name	
Branch Name	
Branch Code	



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

Account type      Saving       Current       Cash Credit

Account No. (as appearing in the cheque book)						
Effective Date this mandate						

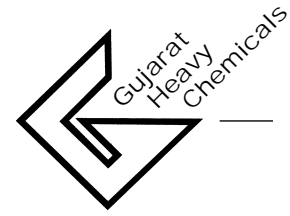
I hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Gujarat Heavy Chemicals Limited and /or Intime Spectrum Registry Limited, will not be held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

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

Signature of the first holder

Date

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



**NOMINATION REQUEST FORM**

<b>INTIME SPECTRUM REGISTRY LIMITED (RTA : GUJARAT HEAVY CHEMICALS LIMITED) B-13, PANNALAL SILK MILLS COMPOUND, LBS MARG, BHANDUP (WEST) MUMBAI - 400078</b>	<b>From</b>
--	-------------

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

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

Nominee's Name	Age
	dd mm yy

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

Guardian's Name

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

Nominee's Address:



Telephone No.	Fax No.
Email Address	STD Code

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

Kindly take aforesaid details on record  
Thanking you

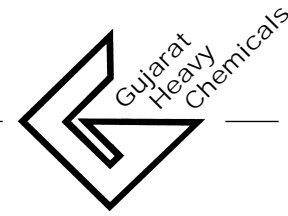
Yours faithfully

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

**Signature of Two witnesses**

Name and Address	Signature with date
1	
2	





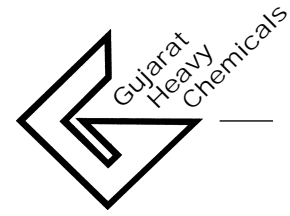
**INSTRUCTIONS:**

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



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

Gujarat Heavy Chemicals Limited



**Gujarat Heavy Chemicals Limited**

Registered Office: GHCL House, Near Punjabi Hall  
Navrangpura, Ahmedabad-380 009.

**ATTENDANCE SLIP**

I hereby record my presence at the Twentieth 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.

**Gujarat Heavy Chemicals Limited**

Regd. Office: GHCL House, Opp. Punjabi Hall,  
Near Navrangpura Bus Stand,  
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 Nineteenth Annual General Meeting of the Company,  
to be held on Friday, the 26<sup>th</sup> September, 2003 and at any adjournment thereof.

Signed this ..... day of .....2003

Reference Folio:/DPID/CL.ID

No. of Shares: .....

Signature

Affix  
Re. 1  
Revenue  
stamp

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