

NOTICE OF THE MEETING

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of Oswal Chemicals & Fertilizers Limited will be held on Saturday the 24th September, 2005 at 10:00 a.m. at the Registered Office of the Company at Village Piprola, Jatalabad Road, Shahjahanpur-242 001 (U.P.) to transact the following business :

ORDINARY BUSINESS:

- To receive, consider and adopt the Balance Sheet as at 31st March, 2005 and Profit & Loss Account for the year ended on that date and the Directors' and the Auditors' Reports thereon.
- To appoint a Director in place of Shri Anil Bhalla who retires by rotation and being eligible offers himself for re-appointment.
- To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on the remuneration as may be fixed by the Board, M/s T.R. Chadha & Co. Chartered Accountants, the retiring Auditors of the Company, are eligible and offer themselves for re-appointment.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to Section 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 including Schedule XIII to the said Act as amended to date and subject to the approval of Central Government and Financial Institutions, as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri Abhey Oswal as Managing Director of the Company for a further period of three years w.e.f. 01.04.2005 (whose period of office shall not be liable to determination by retirement of Director by rotation) on the terms and conditions as to remuneration and perquisites as set out in the Explanatory Statement annexed to this notice with the authority to the Board of Directors to alter, vary, increase or enhance such remuneration subject to the overall ceiling specified in Schedule XIII of the Companies Act, 1956 read with Sections 198, 309 and all other applicable provisions of the Companies Act, 1956 or any amendments thereto or re-enactments thereof as may be agreed between the Board and Shri Abhey Oswal.

RESOLVED FURTHER THAT pursuant to Section 198 (4) read with Schedule XIII and the notifications issued under that schedule of the Companies Act, 1956 subject to such approvals as may be necessary, the remuneration and perquisites as set out in the Explanatory Statement annexed to this notice may be paid as the minimum remuneration to Shri Abhey Oswal, Managing Director, in the absence of or inadequacy of profit in any Financial Year."
- To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to Sections 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 including Schedule XIII to the said Act as amended to date and subject to the approval of Central Government and Financial Institutions as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri Ranjan Sharma as Director (Finance) in whole-time employment of the Company for a further period of three years w.e.f. 01.04.2005 (whose period of office shall be liable to determination by retirement of Director by rotation) on the terms and conditions as to remuneration and perquisites as set out in the Explanatory Statement annexed to this notice with the authority to the Board of Directors to alter, vary, increase or enhance such remuneration subject to the overall ceiling specified in Schedule XIII of the Companies Act, 1956 read with Sections 198, 309 and all other applicable provisions of the Companies Act, 1956 or any amendments thereto or re-enactments thereof as may be agreed between the Board and Shri Ranjan Sharma.

RESOLVED FURTHER THAT pursuant to Section 198 (4) read with Schedule XIII and the notifications issued under that schedule of the Companies Act, 1956 subject to such approvals as may be necessary, the remuneration and perquisites as set out in the Explanatory Statement annexed to this notice may be paid as the minimum remuneration to Shri Ranjan Sharma, Director (Finance), in the absence of or inadequacy of profit in any Financial Year."
- To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to Sections, 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 including Schedule XIII to the said Act as amended to date and subject to the approval of Central Government and Financial Institutions, as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri Anil Bhalla as whole-time Director of the Company for a further period of three years w.e.f. 01.04.2005 (whose period of office shall be liable to determination by retirement of Director by rotation) on the terms and conditions as to remuneration and perquisites as set out in the Explanatory Statement annexed to this notice with the authority to the Board of Directors to alter, vary, increase or enhance such remuneration subject to the overall ceiling specified in Schedule XIII of the Companies Act, 1956 read with Sections 198, 309 and all other applicable provisions of the Companies Act, 1956 or any amendments thereto or re-enactments thereof as may be agreed between the Board and Shri Anil Bhalla.

RESOLVED FURTHER THAT pursuant to Section 198 (4) read with Schedule XIII and the notifications issued under that schedule of the Companies Act, 1956 subject to such approvals as may be necessary, the remuneration and perquisites as set out in the Explanatory Statement annexed to this notice may be paid as the minimum remuneration to Shri Anil Bhalla, Whole-time Director, in the absence of or inadequacy of profit in any Financial Year."
- To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to section 94 and all other applicable provisions, if any of the Companies Act, 1956 the Authorised Capital of the Company be increased from Rs.775 Crores to Rs 1255 Crores (Rupees One Thousand Two Hundred Fifty Five Crores only) by creation of i) 25 crores Equity Shares of Rs. 10/- each and ii) 2,30,00,000 0.01% Optional Convertible Cumulative Redeemable Preference Shares of Rs. 100/- each."
- To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a SPECIAL RESOLUTION :
 - "RESOLVED THAT** the existing clause V of the Memorandum of Association of the Company be altered by substituting the same with the following Clause V and the existing Clause V shall always be deemed to have been substituted by the following :

The Authorised Capital of the Company is Rs. 1255,00,00,000. (Rupees One Thousand Two Hundred Fifty Five Crores only) divided into :

 - 62,50,00,000 (Sixty two crores fifty lakhs) Equity Shares of Rs. 10/- each; and
 - 2,75,00,000 (Two crores seventy five lakhs) Redeemable Preference Shares of Rs. 100/- each; and
 - 1,25,00,000 (One crore twenty five lakhs) 0% Optional Convertible Preference Shares of Rs. 100/- each; and
 - 2,30,00,000 (Two crore thirty lakhs) 0.01% Optional Convertible Cumulative Redeemable Preference Shares of Rs. 100/- each."
 - "RESOLVED FURTHER THAT** the existing Article 3 of the Articles of Association of the Company be altered by substituting the same with the following Article 3 and the existing Article 3 shall always be deemed to have been substituted by the following :

The Authorised Share Capital of the Company is Rs. 1255,00,00,000 (Rupees one thousand two hundred fifty five crores only) divided into :

 - 62,50,00,000 (Sixty two crores fifty lakhs) Equity Shares of Rs. 10/- each with power to increase and/or reduce the Capital of the Company in accordance with the provisions of the Act and to divide the shares in the increased capital into several Classes and attach thereto respectively such preferential, qualified or special rights, privileges or conditions in such manner as may be permitted for the time being and
 - 2,75,00,000 (Two crores seventy five lakhs) Redeemable Preference Shares of Rs. 100/- each; and
 - 1,25,00,000 (One crore twenty five lakhs) 0% Optional Convertible Preference Shares of Rs. 100/- each; and
 - 2,30,00,000 (Two crore thirty lakhs) 0.01% Optional Convertible Redeemable Cumulative Preference Shares of Rs. 100/- each."

The Preference Share shall be eligible to such rate of dividend and will subject to such terms and conditions as may be decided by the Board of Directors of the Company at the time of issue of such shares and shall rank in priority to the Equity Shares in the event of winding up of the company but shall not be entitled to any participation in the profit or surplus assets of the company.

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

"RESOLVED THAT in accordance with Section 81 (1A) and other applicable provisions if any, of the Companies Act, 1956 and in accordance with the Guidelines prescribed by Securities and Exchange Board of India, the Reserve Bank of India, the relevant provisions of the Memorandum and Articles of Association of the Company and the provisions of the listing agreement with Stock Exchange(s) and subject to all such approvals, permissions, sanctions and consents as may be required and necessary and subject to such modifications & conditions as may be prescribed by such Authorities, Bodies and Agencies and accepted by the Board of Directors of the company (hereinafter referred to as "the Board", which term shall include any committee which the Board of Directors of the Company may have constituted or may hereafter constitute) the consent of the Company, be and is hereby accorded to the Board of Directors to offer/allot/issue from time to time in one or more tranches to Financial Institutions/Banks whether or not they are members of the company (that is to say without first offering them to the members of the Company whose names stand registered in the Registrar of Members of the Company on the date of the offer) upto 1,05,00,000 0% Optionally Convertible Preference Shares (OCPS) of Rs.100/- (Rupees One Hundred only), each fully paid-up at par for an aggregate amount of Rs. 106 crores by way of preferential issue on private placement basis through offer letter and for circular and/or Information memorandum and/or such documents/writings and in such manner as may be determined by the Board, towards compensation on NPV basis for interest differential on account of interest reset on loans granted by Financial Institutions & Banks to the company pursuant to the terms & conditions of the letter No.BY.CDR 2100 dated 6th August, 2003 as modified vide their letter No. BY.CDR 37 dated 6th April, 2005 issued by the Corporate Debt Restructuring (CDR) Cell.

RESOLVED FURTHER That the Relevant Date in relation to the shares for the purpose of determining the issue price under SEBI (DIP) Guidelines 2000 for preferential issue of OCPS shall be thirty days prior to the date of Annual General Meeting scheduled to be held on 24th September, 2005 i.e. 25th August, 2005 and that for Equity Shares Convertible from the aforesaid OCPS will be a date 30 days prior to the date on which the holder(s) become entitled as per the term of issue to apply for conversion into Equity Shares.

RESOLVED FURTHER That for the purpose of giving effect to the above Resolution, the Board be and is hereby authorized to do and perform all such acts, deeds and things as it may, in its absolute discretion deem necessary, desirable or appropriate to settle any question, difficulty or doubt that may arise in regard to the issue of OCPS as it may think fit, and to accept on behalf of the Company such conditions and modifications, if any, relating to the issue of OCPS which may be imposed, required or suggested by any regulatory authority/Financial Institutions/Banks and which the Board in its discretion thinks fit and proper.

RESOLVED FURTHER THAT the Board be and is hereby authorized to accept any modification(s) to or to modify the terms of issue of the said OCPS subject to the provisions of the Companies Act, 1956 and SEBI Guidelines / RBI Guidelines/ regulations without being required to seek any further consent or approval of the company in general meeting."

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

"RESOLVED THAT in accordance with Section 81 (1A) and other applicable provisions if any, of the Companies Act, 1956 and in accordance with the Guidelines prescribed by the Securities and Exchange Board of India, the Reserve Bank of India, the relevant provisions of the Memorandum and Articles of Association of the Company and the provisions of the listing agreement with Stock Exchange(s) and subject to all such approvals, permissions, sanctions and consents as may be required and necessary and subject to such modifications & conditions as may be prescribed by such Authorities, Bodies and Agencies and accepted by the Board of Directors of the company (hereinafter referred to as "the Board", which term shall include any committee which the Board of Directors of the Company may have constituted or may hereafter constitute) the consent of the Company, be and is hereby accorded to the Board of Directors to offer/allot/issue from time to time in one or more tranches to Financial Institutions/Banks whether or not they are members of the Company on the date of the offer) upto 2,28,00,000 0.01% Optionally Convertible Cumulative Redeemable Preference Shares (0.01% OCCRPS) of Rs.100/- (Rupees One Hundred only), each fully paid-up at par for an aggregate amount of Rs. 228 crores by way of preferential issue on private placement basis through offer letter and for circular and/or Information memorandum and/or such documents/writings and in such manner as may be determined by the Board, by conversion of 50% of Funded Interest Term Loans in respect of each of the Financial Institutions/Banks, appearing in the books of the company as on 31.03.2005 (subject to reconciliation) pursuant to the terms and conditions of the letter No. BY.CDR 37 dated 6th April, 2005 issued by the Corporate Debt Restructuring (CDR) Cell.

RESOLVED FURTHER that the Relevant Date in relation to the shares for the purpose of determining the issue price under SEBI (DIP) Guidelines, 2000 for preferential issue of 0.01% OCCRPS shall be thirty days prior to the date of Annual General Meeting scheduled to be held on 24th September, 2005 i.e. 25th August, 2005 and that for Equity Shares Convertible from the aforesaid 0.01% OCCRPS will be a date 30 days prior to the date on which the holder(s) become entitled as per the term of issue to apply for conversion into Equity Shares.

RESOLVED FURTHER That for the purpose of giving effect to the above Resolution, the Board be and is hereby authorized to do and perform all such acts, deeds and things as it may, in its absolute discretion deem necessary, desirable or appropriate to settle any question, difficulty or doubt that may arise in regard to the issue of 0.01% OCCRPS as it may think fit, and to accept on behalf of the Company such conditions and modifications, if any, relating to the issue of 0.01% OCCRPS which may be imposed, required or suggested by any regulatory authority/lenders and which the Board in its discretion thinks fit and proper.

RESOLVED FURTHER THAT the Board be and is hereby authorized to accept any modification(s) to or to modify the terms of issue of the said 0.01% OCCRPS subject to the provisions of the Companies Act, 1956 and SEBI Guidelines / RBI Guidelines/ regulations without being required to seek any further consent or approval of the company in general meeting."

By Order of the Board
For OSWAL CHEMICALS & FERTILIZERS LIMITED

Sd/-
(H. K. GUPTA)
COMPANY SECRETARY

Place : New Delhi
Date : 27.07.2005

NOTES

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THAT THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY, DULY STAMPED AND SIGNED, NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- The Register of members and the Share Transfer Books of the Company shall remain closed from 21st September, 2005 to 24th September, 2005 (both days inclusive).
- An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Item No. (5) & 4 to 10 is enclosed herewith and forms part of this Notice.
- Shareholders interested in giving nominations in respect of the shares held by them can do so by obtaining nomination forms from the Company.
- Company's Equity Shares are compulsory traded in Demat Form and therefore shareholders are requested to get their shares dematerialized by opening an account with a Depository Participant through "National Securities Depository Ltd" (NSDL) or "Central Depository Services Ltd" (CDSL).
- Shareholders are requested to note that if Demat Request Forms (DRF) and share certificates etc. are not received from their DPs by the Company within a period of 30 days from the date of generation of the DRN for dematerialization, the DRN will be treated as rejected/cancelled. Upon rejection/cancellation of the DRN, a fresh DRF has to be forwarded alongwith the share certificates by the DPs to the Company.

7. In term of the provisions of Section 205A of the Companies Act, 1956, as amended, the Company has already transferred the unclaimed interim/final dividend for the financial year 1996-97 to the Investor Education and Protection Fund established by the Central Government. The Company would be transferring the Unclaimed final dividend for the financial year 1997-98 to the Investor Education and Protection fund established by the Central Government. The members, who have not received the dividend for (Financial Year 1997-98) are requested to claim it from the Company, immediately. It may be noted that once the unclaimed dividend is transferred to the Central Government Account in Investor Education and Protection Fund, no Claim shall lie in respect thereof.
8. The Register of Directors' shareholding in the Company shall remain open for inspection to the Members and Debentureholders of the Company during 10.00 a.m. to 12.00 noon on each working day beginning with 14 days prior to the date of annual general meeting and ending 3 days after the date of its conclusion at the Registered Office of the Company.
9. The investors may send the documents for transfer of shares and other correspondence/queries relating to shares directly to the registrar and share transfer agent of the Company M/s Skyline Financial Services Pvt Ltd., 123, Vinobapuri, Lajpat Nagar-II, New Delhi 110024.
10. Members holding shares in the dematerialized mode are requested to intimate all changes with respect to their Bank Details, Mandata, Power of Attorney or address for correspondence to their respective Depository Participant (DP). These changes will be automatically reflected in the Company's records through Electronic Connectivity with NSDL/CDSL.
11. In all correspondence with the Company, members are requested to quote their account / folio numbers and in case their shares are held in the dematerialized form, they must quote their client ID number and their DP ID number.

AS REQUIRED UNDER CLAUSE 49 (VI) OF THE LISTING AGREEMENT GIVEN BELOW ARE THE DETAILS OF THE DIRECTORS WHO ARE RETIRING BY ROTATION AND ARE ELIGIBLE FOR RE-APPOINTMENT.

Shri Anil Bhatta is having vast experience, administrative skills and valuable contribution in the massive expansion & growth of the Company. Shri Anil Bhatta has made valuable contribution at all the level, for bright prospects of the Company. He is a director in two other bodies corporate. He is a member of (i) Share Transfer Committee (ii) Investor Grievance Committee and (iii) Committee of Directors of your Company.

PLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 FORMING PART OF THE NOTICE IN RESPECT OF ITEM NO. 4 to 10

ITEM NO. 4.

Shri Abhey Oswal was appointed as Chairman & Managing Director w.e.f. 1st April, 2002 for a period of 3 years. His term of office has expired on 31st March, 2005. Shri Abhey Oswal has been instrumental in setting up mega Fertilizer Projects at Shahjahanpur and Paradeep. It is proposed to re-appoint him as Managing Director for a further period of three years w.e.f. 1st April, 2005. The Board has approved his re-appointment for a further period of 3 years retrospectively w.e.f. 1st April, 2005 on the following terms, conditions and at remuneration as approved by the Remuneration Committee. Pursuant to section 198 read with section 309, 310 and Schedule-XIII of the Companies Act, 1956 the re-appointment of Managing Director and his remuneration is required to be approved by the Shareholders by passing a Special Resolution.

1. **PERIOD**
Three Years (From 1st April, 2005 to 31st March, 2008)
2. **SALARY** :
1,50,000/- per month.
3. **COMMISSION** :
Commission on Net Profit : An amount as may be decided by the Board of Directors from year to year provided that the total remuneration including salary and perquisites shall be subject to the overall limits as laid down in Section 198 and Section 309 read with amended Schedule XIII of the Companies Act, 1956.
4. **PERQUISITES** :
Perquisites will be allowed in addition to salary and commission upto an amount equal to Rs. 18,00,000/- per annum. For this purpose perquisites will be as follows :
 - i) Residential Accommodation – Rent free furnished accommodation with Gas, Electricity and water. The expenditure incurred by the company on Gas, Electricity and Water shall be valued as per Income Tax Rules and shall be subject to a ceiling of 10% of the salary.
 - ii) Medical Reimbursement – Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years
 - iii) Leave Travel Concession – For self and family once in a year in accordance with the rules specified by the company.
 - iv) Club Fees – Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
 - v) Personal Accident Insurance – For an amount, the annual premium of which does not exceed Rs. 4000/-

Shri Abhey Oswal, Chairman & Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling of remuneration as specified above.

1. **Provident Fund, Superannuation Fund and Annuity Fund** – The Company's contribution to the Provident Fund, Superannuation Fund and Annuity Fund will be in accordance with the rules and regulations of the Company. Such contributions will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. **Gratuity** – Gratuity at the rate not exceeding half a month's salary for each completed year of service.
3. **Earned/Privilege Leave** – On full pay and allowances as per the rules of the Company. Leave accumulated but not availed of, during his tenure, may be allowed to be encashed as per the rules of the Company.
4. **Car and Telephone** – Car for use on the Company's business and telephone at his residence. The personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company.

The above salary and perquisites are within the limits specified in Schedule-XIII

The Board commends the passing of the Resolution as set out in the Notice. None of the Directors except Shri Abhey Oswal is interested or concerned in resolution No. 4.

The above may also be treated as compliance under Section 302 of the Companies Act, 1956.

ITEM NO. 5

Shri Ranjan Sharma is holding office as Whole-time-Director (Finance) since 1st April, 2002. His term of office as Whole-time-Director has expired on 31st March, 2005. He is actively involved in the project financing & setting up the Company's Fertilizer Projects at Shahjahanpur & Paradeep. In view of his valuable contribution in the growth of the Company, it is proposed to re-appoint him as whole-time-Director for a further period of three years from 1st April, 2005 to 31st March, 2008. The Board has approved his re-appointment for a further period of 3 years retrospectively w.e.f. 1st April, 2005 on the following terms, conditions and at remuneration as approved by the Remuneration Committee.

Pursuant to section 198 read with Section 309, 310 and schedule XIII of the Companies Act, 1956 the re-appointment of Whole-Time-Director and his

remuneration is required to be approved by the Shareholders by passing a Special Resolution. The Remuneration as approved by the Remuneration Committee by way of salary and perquisites of Shri Ranjan Sharma is as follows :-

1. **SALARY :**
1,50,000/- per month.
2. **PERQUISITES :**
Perquisites will be allowed in addition to salary upto an amount equal to Rs. 18,00,000/- per annum. For this purpose perquisites will be as follows :
 - i) **Residential Accommodation** – Actual Expenditure incurred by the Company on hiring furnished accommodation or House Rent Allowance subject to a ceiling of 80 % of the Salary and provision of Gas, Electricity and Water which shall be valued as per Income Tax Rules and shall be subject to a ceiling of 10% of the salary.
 - ii) **Medical Reimbursement** – Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years
 - iii) **Leave Travel Concession** – For self and family once in a year in accordance with the rules specified by the company.
 - iv) **Club Fees** – Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
 - v) **Personal Accident Insurance** – For an amount, the annual premium of which does not exceed Rs. 4000/-

Shri Ranjan Sharma shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling of remuneration as specified above.

 1. **Provident Fund, Superannuation Fund and Annuity Fund** – The Company's contribution to the Provident Fund, Superannuation Fund and Annuity Fund will be in accordance with the rules and regulations of the Company. Such contributions will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 2. **Gratuity** – Gratuity at the rate not exceeding half a month's salary for each completed year of the service.
 3. **Earned/Privilege Leave** – On full pay and allowances as per the rules of the Company. Leave accumulated but not availed of, during his tenure, may be allowed to be encashed as per the rules of the Company.
 4. **Car and Telephone** – Car for use on the Company's business and telephone at residence. The personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company.

The above salary and perquisites are within the limits specified in Schedule-XII)

The Board commends the passing of the Resolution as set out in the Notice. None of the Directors, except Shri Ranjan Sharma is interested or concerned in the resolution No. 5.

The above may also be treated as compliance under Section 302 of the Companies Act, 1956.

ITEM NO. 6

Shri Anil Bhalia is Director on the Board of the Company for last 16 years and has been actively associated with various activities of the Company. The valuable guidance provided by him from time to time contributed immensely to the growth of the Company. In view of his valuable contribution in the growth of the company, it is proposed to re-appoint him as whole-time-director for a further period of three years from 1st April, 2005 to 31st March, 2008. The Board has approved his re-appointment for a further period of 3 years retrospectively w.e.f. 1st April, 2005 on the following terms, conditions and at remuneration as approved by the Remuneration Committee.

Pursuant to Section 198,309 and 310 read with Schedule XIII of the Company Act, 1956 the appointment of Shri Anil Bhalia as Whole-Time-Director is required to be approved by the Shareholders by passing a Special Resolution. The Remuneration as approved by the Remuneration Committee by way of salary and perquisites of Shri Anil Bhalia is as follows:-

1. **SALARY :**
1,50,000/- per month.
2. **PERQUISITES:**
Perquisites will be allowed in addition to salary upto an amount equal to Rs. 18,00,000/- per annum. For this purpose perquisites will be as follows :
 - i) **Residential Accommodation** – Actual Expenditure incurred by the Company on hiring furnished accommodation or House Rent Allowance subject to a ceiling of 80 % of the Salary and provision of Gas, Electricity and Water which shall be valued as per Income Tax Rules and shall be subject to a ceiling of 10% of the salary.
 - ii) **Medical Reimbursement** – Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years
 - iii) **Leave Travel Concession** – For self and family once in a year in accordance with the rules specified by the company.
 - iv) **Club Fees** – Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
 - v) **Personal Accident Insurance** – For an amount, the annual premium of which does not exceed Rs. 4000/-

Shri Anil Bhalia shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling of remuneration as specified above.

 1. **Provident Fund, Superannuation Fund and Annuity Fund** – The Company's contribution to the Provident Fund, Superannuation Fund and Annuity Fund will be in accordance with the rules and regulations of the Company. Such contributions will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 2. **Gratuity** – Gratuity at the rate not exceeding half a month's salary for each completed year of service..
 3. **Earned/Privilege Leave** – On full pay and allowances as per the rules of the Company. Leave accumulated but not availed of, during his tenure, may be allowed to be encashed as per the rules of the Company.
 4. **Car and Telephone** – Car for use on the Company's business and telephone at residence. The personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company.

The above salary and perquisites are within the limits specified in Schedule-XIII

The Board commends the passing of the Resolution as set out in the Notice. None of the Directors, except Shri Anil Bhalia is interested or concerned in the resolution No. 6. The above may also be treated as compliance under Section 302 of the Companies Act, 1956.

Statement as per Part-II, Section-II(B)(iv) of Schedule-XIII of the Companies Act, 1956 (Related with Item no.(a) 4, 5 & 6 of the notice)

1. GENERAL INFORMATION :

- (1) Nature of industry
– Fertilizer Industry
- (2) Date of expected date of commencement of commercial production-already in production since 1995
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus
– Not Applicable

7. In term of the provisions of Section 205A of the Companies Act, 1956, as amended, the Company has already transferred the unclaimed interim/final dividend for the financial year 1996-97 to the Investor Education and Protection Fund established by the Central Government. The Company would be transferring the Unclaimed final dividend for the financial year 1997-98 to the Investor Education and Protection fund established by the Central Government. The members, who have not received the dividend for (Financial Year 1997-98) are requested to claim it from the Company, immediately. It may be noted that once the unclaimed dividend is transferred to the Central Government Account in Investor Education and Protection Fund, no Claim shall lie in respect thereof.
8. The Register of Directors' shareholding in the Company shall remain open for inspection to the Members and Debentureholders of the Company during 10.00 a.m. to 12.00 noon on each working day beginning with 14 days prior to the date of annual general meeting and ending 3 days after the date of its conclusion at the Registered Office of the Company.
9. The investors may send the documents for transfer of shares and other correspondence/queries relating to shares directly to the registrar and share transfer agent of the Company M/s Skyline Financial Services Pvt Ltd., 123, Vinobapuri, Lajpat Nagar-II, New Delhi 110024.
10. Members holding shares in the dematerialized mode are requested to intimate all changes with respect to their Bank Details, Mandata, Power of Attorney or address for correspondence to their respective Depository Participant (DP). These changes will be automatically reflected in the Company's records through Electronic Connectivity with NSDL/CDSL.
11. In all correspondence with the Company, members are requested to quote their account / folio numbers and in case their shares are held in the dematerialized form, they must quote their client ID number and their DP ID number.

AS REQUIRED UNDER CLAUSE 49 (VI) OF THE LISTING AGREEMENT GIVEN BELOW ARE THE DETAILS OF THE DIRECTORS WHO ARE RETIRING BY ROTATION AND ARE ELIGIBLE FOR RE-APPOINTMENT.

Shri Anil Bhalla is having vast experience, administrative skills and valuable contribution in the massive expansion & growth of the Company. Shri Anil Bhalla has made valuable contribution at all the level, for bright prospects of the Company. He is a director in two other bodies corporate. He is a member of (i) Share Transfer Committee (ii) Investor Grievance Committee and (iii) Committee of Directors of your Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 FORMING PART OF THE NOTICE IN RESPECT OF ITEM NO. 4 TO

ITEM NO. 4.

Shri Abhey Oswal was appointed as Chairman & Managing Director w.e.f. 1st April, 2002 for a period of 3 years. His term of office has expired on 31st March, 2005. Shri Abhey Oswal has been instrumental in setting up mega Fertilizer Projects at Shahjahanpur and Paradeep. It is proposed to re-appoint him as Managing Director for a further period of three years w.e.f. 1st April, 2005. The Board has approved his re-appointment for a further period of 3 years retrospectively w.e.f. 1st April, 2005 on the following terms, conditions and at remuneration as approved by the Remuneration Committee. Pursuant to section 198 read with section 309, 310 and Schedule XIII of the Companies Act, 1956 the re-appointment of Managing Director and his remuneration is required to be approved by the Shareholders by passing a Special Resolution.

1. **PERIOD**
Three Years (From 1st April, 2005 to 31st March, 2008)

2. **SALARY :**
1,50,000/- per month.

3. **COMMISSION :**
Commission on Net Profit : An amount as may be decided by the Board of Directors from year to year provided that the total remuneration including salary and perquisites shall be subject to the overall limits as laid down in Section 198 and Section 309 read with amended Schedule XIII of the Companies Act, 1956.

4. **PERQUISITES :**
Perquisites will be allowed in addition to salary and commission upto an amount equal to Rs. 18,00,000/- per annum. For this purpose perquisites will be as follows :

- i) Residential Accommodation – Rent free furnished accommodation with Gas, Electricity and water. The expenditure incurred by the company on Gas, Electricity and Water shall be valued as per Income Tax Rules and shall be subject to a ceiling of 10% of the salary.
- ii) Medical Reimbursement – Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years
- iii) Leave Travel Concession – For self and family once in a year in accordance with the rules specified by the company.
- iv) Club Fees – Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v) Personal Accident Insurance – For an amount, the annual premium of which does not exceed Rs. 4000/-

Shri Abhey Oswal, Chairman & Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling of remuneration as specified above.

1. Provident Fund, Superannuation Fund and Annuity Fund – The Company's contribution to the Provident Fund, Superannuation Fund and Annuity Fund will be in accordance with the rules and regulations of the Company. Such contributions will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. Gratuity – Gratuity at the rate not exceeding half a month's salary for each completed year of service.
3. Earned/Privilege Leave – On full pay and allowances as per the rules of the Company. Leave accumulated but not availed of, during his tenure, may be allowed to be encashed as per the rules of the Company.
4. Car and Telephone – Car for use on the Company's business and telephone at his residence. The personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company.

The above salary and perquisites are within the limits specified in Schedule XIII

The Board commends the passing of the Resolution as set out in the Notice. None of the Directors except Shri Abhey Oswal is interested or concerned in resolution No. 4.

The above may also be treated as compliance under Section 302 of the Companies Act, 1956.

ITEM NO. 5

Shri Ranjan Sharme is holding office as Whole-time-Director (Finance) since 1st April, 2002. His term of office as Whole-time-Director has expired on 31st March, 2005. He is actively involved in the project financing & setting up the Company's Fertilizer Projects at Shahjahanpur & Paradeep. In view of his valuable contribution in the growth of the Company, it is proposed to re-appoint him as whole-time-Director for a further period of three years from 1st April, 2005 to 31st March, 2008. The Board has approved his re-appointment for a further period of 3 years retrospectively w.e.f. 1st April, 2005 on the following terms, conditions and at remuneration as approved by the Remuneration Committee.

Pursuant to section 198 read with Section 309, 310 and schedule XIII of the Companies Act, 1956 the re-appointment of Whole-Time-Director and his

remuneration is required to be approved by the Shareholders by passing a Special Resolution. The Remuneration as approved by the Remuneration Committee by way of salary and perquisites of Shri Ranjan Sharma is as follows :-

1. SALARY :
1,50,000/- per month.

2. PERQUISITES :

Perquisites will be allowed in addition to salary upto an amount equal to Rs. 18,00,000/- per annum. For this purpose perquisites will be as follows :

- i) Residential Accommodation – Actual Expenditure incurred by the Company on hiring furnished accommodation or House Rent Allowance subject to a ceiling of 60 % of the Salary and provision of Gas, Electricity and Water which shall be valued as per Income Tax Rules and shall be subject to a ceiling of 10% of the salary.
- ii) Medical Reimbursement – Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years
- iii) Leave Travel Concession – For self and family once in a year in accordance with the rules specified by the company.
- iv) Club Fees – Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
- v) Personal Accident Insurance – For an amount, the annual premium of which does not exceed Rs. 4000/-

Shri Ranjan Sharma shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling of remuneration as specified above.

1. Provident Fund, Superannuation Fund and Annuity Fund – The Company's contribution to the Provident Fund, Superannuation Fund and Annuity Fund will be in accordance with the rules and regulations of the Company. Such contributions will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. Gratuity – Gratuity at the rate not exceeding half a month's salary for each completed year of the service.
3. Earned/Privilege Leave – On full pay and allowances as per the rules of the Company. Leave accumulated but not availed of, during his tenure, may be allowed to be encashed as per the rules of the Company.
4. Car and Telephone – Car for use on the Company's business and telephone at residence. The personal long distance calls on the telephone and of car for private purposes shall be billed by the Company.

The above salary and perquisites are within the limits specified in Schedule-XIII

The Board commends the passing of the Resolution as set out in the Notice. None of the Directors, except Shri Ranjan Sharma is interested or concerned in the resolution No. 5.

The above may also be treated as compliance under Section 302 of the Companies Act, 1956.

ITEM NO. 6

Shri Anil Bhatta is Director on the Board of the Company for last 16 years and has been actively associated with various activities of the Company. The valuable guidance provided by him from time to time contributed immensely to the growth of the Company. In view of his valuable contribution in the growth of the company, it is proposed to re-appoint him as whole-time-director for a further period of three years from 1st April, 2005 to 31st March, 2008. The Board has approved his re-appointment for a further period of 3 years retrospectively w.e.f. 1st April, 2005 on the following terms, conditions and at remuneration as approved by the Remuneration Committee.

Pursuant to Section 198,309 and 310 read with Schedule XIII of the Company Act, 1956 the appointment of Shri Anil Bhatta as Whole-Time-Director is required to be approved by the Shareholders by passing a Special Resolution. The Remuneration as approved by the Remuneration Committee by way of salary and perquisites of Shri Anil Bhatta is as follows:-

1. SALARY :
1,50,000/- per month.

2. PERQUISITES:

Perquisites will be allowed in addition to salary upto an amount equal to Rs. 18,00,000/- per annum. For this purpose perquisites will be as follows :

- i) Residential Accommodation – Actual Expenditure incurred by the Company on hiring furnished accommodation or House Rent Allowance subject to a ceiling of 60 % of the Salary and provision of Gas, Electricity and Water which shall be valued as per Income Tax Rules and shall be subject to a ceiling of 10% of the salary.
- ii) Medical Reimbursement – Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years
- iii) Leave Travel Concession – For self and family once in a year in accordance with the rules specified by the company.
- iv) Club Fees – Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
- v) Personal Accident Insurance – For an amount, the annual premium of which does not exceed Rs. 4000/-

Shri Anil Bhatta shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling of remuneration as specified above.

1. Provident Fund, Superannuation Fund and Annuity Fund – The Company's contribution to the Provident Fund, Superannuation Fund and Annuity Fund will be in accordance with the rules and regulations of the Company. Such contributions will not be included in the computation of the ceiling of perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
2. Gratuity – Gratuity at the rate not exceeding half a month's salary for each completed year of service.
3. Earned/Privilege Leave – On full pay and allowances as per the rules of the Company. Leave accumulated but not availed of, during his tenure, may be allowed to be encashed as per the rules of the Company.
4. Car and Telephone – Car for use on the Company's business and telephone at residence. The personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company.

The above salary and perquisites are within the limits specified in Schedule-XIII

The Board commends the passing of the Resolution as set out in the Notice. None of the Directors, except Shri Anil Bhatta is interested or concerned in the resolution No. 6. The above may also be treated as compliance under Section 302 of the Companies Act, 1956.

Statement as per Part-II, Section-II(B)(iv) of Schedule-XIII of the Companies Act, 1956 (Related with Item no.(a) 4, 5 & 6 of the notice)

I. GENERAL INFORMATION :

- (1) Nature of industry
– Fertilizer Industry
- (2) Date of expected date of commencement of commercial production-already in production since 1995
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus
– Not Applicable

(4) Financial performance

	(Rs. in Lacs)	
FINANCIAL RESULTS	2004-05	2003-04
Gross Profit/(Loss) before depreciation and tax.	(14489)	(10690)
Depreciation	(16774)	(17545)
Profit/(Loss) before Tax	(31263)	(28235)
Deferred Tax Credit (written off)/provided	-	(102)
Profit/(Loss) after Deferred Taxation	(31263)	(28337)
Add : Balance brought forward from last year	(56637)	(28500)
Balance in Profit & Loss Account	(88100)	(56837)

(5) Export performance and net foreign exchange collaborations
- As per latest Balance Sheet(6) Foreign investments or collaborators, if any.
- Not Applicable

II. INFORMATION ABOUT SHRI ABHEY OSWAL, SHRI RANJAN SHARMA & SHRI ANIL BHALLA

(1) Background details

- Shri Abhey Oswal is 56 Years of age. He belongs to an Industrialist family. He has more than 35 years experience in the various fields, specifically in fertilizer sector. Shri Abhey Oswal is on the Board of Oswal Agro Mills Ltd., Oswal Aluminium Ltd and a Trustee of Aruna Abhey Oswal Trust.

- Shri Ranjan Sharma is 46 years old. He is qualified Company Secretary & Cost Accountant and also a law graduate. He is having vast experience in the field of Project Finance, Accounting as well as in Company Law Matters. He is a director in Urban Improvement Company Pvt. Ltd. and a Trustee of Aruna Abhey Oswal Trust.

- Shri Anil Bhalla is 55 years old. He is having vast experience in the Administrative field. He is a director on board of the company from last 16 years. He is a director on the Board of Lucky Star Entertainment Ltd., Oswal Aluminium Ltd. and a Trustee of Aruna Abhey Oswal Trust.

(2) Past remuneration

- Same remuneration in past, as proposed now.

(3) Recognition or awards

- Nil

(4) Job profile and his suitability

- Shri Abhey Oswal is Chairman & Managing Director of the Company and is looking after its overall operations at both the plants of the company at Shahjahanpur (J.P) and Paradeep (Orissa).

- Shri Ranjan Sharma is Director (Finance) of the Company and looks after all the financial and commercial activities of the company on day to day basis. He is actively involved with both the plants of the company at Shahjahanpur (J.P.) and Paradeep (Orissa).

- Shri Anil Bhalla is Whole-Time Director of the company and looks after the administrative activities.

(5) Remuneration proposed.

- As explained above in the explanatory statement.

(6) Comparative remuneration profile with respect to industry.

- The proposed remunerations is in line with the remuneration, in the industry.

(7) Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any.

- Nil

III. OTHER INFORMATION

(1) Reasons of loss or inadequate profits

a) Super Cyclone of unprecedented velocity hit the eastern coast of India in October, 1999, due to that the DAP plant of the company was affected. b) High Capital cost of DAP Plant and interest liability of term loans and high depreciation charges. c) Technical problems.

(2) Steps taken or proposed to be taken for improvement

a) Technical problems faced are being resolved by implementing a de-bottlenecking scheme. b) A debt restructuring scheme for loans for DAP plant have been approved by lenders. c) Improvement in recovery of phosphoric acid from rock phosphate. d) Plans under consideration to maximize production of Urea at the Shahjahanpur plant. e) With availability of RLNG in required quantity, the problem of shortage of natural gas has been reduced.

(3) Expected increase in productivity and profits in measurable terms

- Company is expected to achieve positive results.

IV. DISCLOSURES :

- The Shareholders of the company have been informed about the remuneration of Shri Abhey Oswal, Shri Ranjan Sharma and Shri Anil Bhalla in the explanatory statement at Item no.(s) 4,5 & 6 part of the notice of this Annual General Meeting attached to the Annual Report.

ITEM NO.(S) 7 & 8

Since the Authorized Preference Share Capital of the Company at present is only Rs.400 Crores, out of which Rs.240 Crores has already been issued and Rs.108 Crores O/CPS pending for issue, there is a need to enhance the Authorized Preference Share Capital to take care of the eventual issue of OCCRPS of Rs. 228 Crores. It is proposed to increase the authorized preference capital by Rs. 230 Crores by constituting OCCRPS. However, since the OCCRPS proposed to be issued are convertible into equity shares at the option of the Financial Institutions/Banks, there is a need to increase the Authorized Equity Shares Capital of the company as well by Rs. 250 crores (Rupees Two Hundred Fifty Crores) thereby making the total Authorized Equity Shares Capital as Rs. 625 Crores. The revised total Authorized Capital will be Rs. 1255 Crores (Rupees One Thousand Two Hundred Fifty Five Crores only) after considering the likely impact of OCCRPS and Equity Shares as stated above.

Your Directors, therefore, recommend to Shareholders for their approval for increase in Authorized Share Capital of the Company as stated at item no.(s) 7 & 8 of the notice.

None of the Directors is in any way concerned or Interested in the Resolution at item no(s) 7 & 8 except nominee Directors of the Financial Institutions/Banks who will be allotted O/CPS/OCCRPS.

ITEM NO 9

The company had approached the Corporate Debt Restructuring (CDR) cell for restructuring its debt. The CDR cell vide its letter no BY CDR 2100 dated August 6, 2003 approved a restructuring package for the company. Subsequently in April 2005, the CDR Cell approved modification to the restructuring package vide letter No. BY CDR 37 dated April 6, 2005. The modified package inter alia envisages issue on private placement basis 106,00,000 Zero percent Optionally Convertible Preference Shares (OCPS) of Rs. 100/- each aggregating to Rs.106 crores to the Financial Institutions / Banks to compensate them on NPV basis for interest differential on account of interest reset. UTI is not participating in the CDR package, however the figure of Rs.106 Crores includes UTI's notional entitlement.

As per the terms sanctioned by CDR Cell, these OCPS are Redeemable at par, 50% each during the Financial Years 2016 and 2017. In case the company declares any dividend, it will be payable also on these OCPS equivalent to the preference / equity dividend rate, whichever is higher, if declared in that particular year.

This issue is in accordance with the SEBI Guidelines on Preferential Issues and amendments thereof and various disclosures required are as under:-

- The object of the issue :** The object of the issue is to facilitate the financial restructuring of the company. The issue of OCPS is towards compensation on NPV basis for interest differential on account of interest reset on loans granted by Financial Institutions and Banks.
- Intention of Promoters/Directors/Key Management persons to subscribe to the offer**
The preferential offer is being made to Financial Institutions and Banks in terms of approved restructuring package and not to any promoter/director or key management person.

3. Shareholding pattern before and after the offer

The shareholding pattern of various categories of shareholders would be as follows:

Categories	Pre-issue		Post Issue after conversion of 0% OCPS	
	No. of shares	%age of holding	No. of shares	%age of holding
A. Promoters & Associates	13,92,07,452	54.21	13,92,07,452	38.37
B. Banks, Financial Institutions and Mutual Funds	2,32,53,425	9.05	12,92,53,425	35.62
C. Public	8,87,66,829	34.57	8,87,66,829	24.47
D. NRIs /OCB/FIIs	55,81,453	2.17	55,81,453	1.54
Total	25,68,09,159	100.00	36,28,09,159	100.00

The post issue shareholding as above is based on the presumption that all Financial Institutions /Banks would exercise their option to convert their holding of OCPS into equity shares.

The percentage of Shareholding of the Financial Institutions/Banks, whose shareholdings will change due to the exercise of this option before and after the offer will be as follow :

Name of Financial Institutions /Banks	Pre-issue		Post Issue after conversion of 0% OCPS	
	No. of shares	%age of holding	No. of shares	%age of holding
IFCI	-	-	26874840	7.41
ICICI	2323859	0.90	11780289	3.25
IDBI	-	-	30748210	8.48
UTI	14500	0.01	14500	0.00
LIC	-	-	8047700	2.22
GIC	-	-	1395510	0.38
NIAC	-	-	1377890	0.38
UIIC	-	-	1085030	0.30
OIC	-	-	806180	0.22
NIC	-	-	807270	0.22
IIBI	-	-	3985050	1.10
SBI	4721300	1.84	12275200	3.38
SBOP	867700	0.34	3999610	1.10
UBI	4471800	1.74	7237820	1.99
Total	12399159	4.83	110436199	30.43

The company is now seeking approval of the shareholders for allotment/issue of Zero percent Optionally Convertible Preference Shares, convertible at the option of Financial Institutions/Banks.

The documents/letter mentioned above are available for inspection at the Registered office of the Company between 10.30 a.m. and 12.30 p.m. on any working day prior to the Meeting.

Your Directors recommend the resolution for approval of Shareholders at item No. 9 of the notice of the Annual General Meeting.

None of the directors is in any way concerned or interested in the Resolution at item No. 9 except the Directors nominated by the Financial Institutions and Banks on the Board of the Company to the extent of OCPS being allotted to the concerned Financial Institutions and Banks.

ITEM NO 10

The company had approached the Corporate Debt Restructuring (CDR) cell for restructuring its debt. The CDR cell vide its letter no BY CDR 2100 dated August 6, 2003 approved a restructuring package for the company. Subsequently in April 2005, the CDR Cell approved modification to the restructuring package vide letter No. BY CDR 37 dated April 6, 2005. The modified package inter alia envisages issue on private placement basis 228,00,000 0.01% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs. 100/- each aggregating to Rs.228 Crores to the Financial Institutions / Banks. UTI is not

OSWAL CHEMICALS & FERTILIZERS LIMITED

participating in the CDR package, however the figure of Rs. 228 Crores includes UTI's notional entitlement towards OCCRPS. This issue of OCCRPS is towards the conversion of 50% of Funded Interest Term Loans granted by Financial Institutions/Banks to the Company. As per the terms approved by the CDR Cell, these OCCRPS are Redeemable in two equal instalments during financial year 2017 & 2018 at a premium of 30%.

This issue is in accordance with the SEBI Guidelines on Preferential Issues and amendments thereof and various disclosures required are as under :-

- The object of the issue:** The object of the issue is to facilitate the financial restructuring of the Company. The issue of OCCRPS is towards the conversion of 50% of Funded Interest Term Loans granted by various Financial Institutions/Banks.
- Intention of Promoters/Directors/Key Management persons to subscribe to the offer:**
The preferential offer is being made to Financial Institutions and Banks in terms of approved restructuring package and not to any promoter/director or key management person.
- Shareholding pattern before and after the offer:**
The shareholding pattern of various categories of shareholders would be as follows:

Categories	Pre-issue		Post issue after conversion of 0% OPCS		Post issue after conversion of 0.01% OCCRPS	
	No. of shares	% age of holding	No. of Shares	% age of holding	No. of Shares	% age of holding
A. Promoters & Associates	13,92,07,452	54.21	13,92,07,452	38.37	13,92,07,452	23.57
B. Banks, Financial Institutions and Mutual Funds	2,32,53,425	9.05	12,82,53,425	35.82	35,72,53,425	60.47
C. Public	8,87,66,829	34.57	8,87,66,829	24.47	8,87,66,829	15.02
D. NRIs /OCB/FIIs	55,81,453	2.17	55,81,453	1.54	55,81,453	0.94
Total	25,68,09,159	100.00	36,28,09,159	100.00	59,08,09,159	100.00

The post issue shareholding as above is based on the presumption that all Financial Institutions/Banks would exercise their option to convert their holding of OPCS and OCCRPS into equity shares.

The percentage of Shareholding of the Institutions/Banks, whose shareholding will change due to the exercise of this option before and after the offer will be as follow :

Name of Financial Institutions/Banks	Pre-issue		Post issue after conversion of 0% OPCS		Post issue after conversion of 0.01% OCCRPS	
	No. of shares	% age of holding	No. of Shares	% age of holding	No. of Shares	% age of holding
IFCI	-	-	26874840	7.41	-	-
ICICI	2323859	0.90	11780289	3.25	-	-
IDBI	-	-	30749210	8.48	-	-
UTI	14500	0.01	14500	0.003	-	-
LIC	-	-	8047700	2.22	-	-
GIC	-	-	1395510	0.38	-	-
NIAC	-	-	1377890	0.38	-	-
UICC	-	-	1085030	0.30	-	-
OIC	-	-	806180	0.22	-	-
NIC	-	-	807270	0.22	-	-
IJBI	-	-	3985050	1.10	-	-
SBI	4721300	1.84	12275200	3.38	-	-
SBOP	867700	0.34	3989610	1.10	-	-
UBI	4471800	1.74	7237920	1.99	-	-
Total	12399159	4.83	110436189	30.43	33,84,36,189	57.28

*Whereas total allotment would be for about Rs.228 crores (inclusive of shares of UTI who is not participating in CDR package), the shares to be allocated amongst the Financial Institutions/Banks are subject to reconciliation of accounts, hence the post issue details of individual members are not available.

The company is now seeking approval of the shareholders for allotment/issue of 0.01% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) convertible at the option of Financial Institutions/Banks.

The documents/letter mentioned above are available for inspection at the Registered office of the Company between 10.30 a.m. and 12.30 p.m. on any working day prior to the Meeting.

Your Directors recommend the resolution for approval of Shareholders at item No. 10 of the notice of the Annual General Meeting.

None of the directors is in any way concerned or interested in the Resolution at item No. 10 except the Directors nominated by the Financial Institutions and Banks on the Board of the Company to the extent of OCCRPS being allotted to the concerned Financial Institutions and Banks.

By Order of the Board
For OSWAL CHEMICALS & FERTILIZERS LIMITED

Place : New Delhi
Date : 27.07.2005

Sd/-
(H. K. GUPTA)
COMPANY SECRETARY

DIRECTORS' REPORT

To,
The Members

Your Directors present the Twenty Third Annual Report along with Audited Statement of Accounts for the Financial Year ended 31st March, 2005.

FINANCIAL RESULTS

	(Rs. In Lacs)	
	2004-2005	2003-2004
Gross Profit/(Loss) before depreciation and tax	(14489)	(10690)
Depreciation	(16774)	(17545)
Profit/(Loss) before Tax	(31263)	(28235)
Deferred Tax Credit (written off)/provided	-	(102)
Profit/(Loss) after Deferred Taxation	(31263)	(28337)
Add : Balance brought forward from last year	(56837)	(28500)
Balance in Profit & Loss Account	(88100)	(56837)

REVIEW OF OPERATIONS**UREA DIVISION**

During the year under review the Urea plant produced 8.61 Lac MT of Urea as against 8.58 Lac MT of Urea during the previous year. The working of Urea Division has resulted into a cash profit of Rs. 168.04 Crs. and net profit of Rs. 123.85 Crs. during the year under review as against cash profit of Rs. 182.72 Crs. and net profit of Rs. 139.59 Crs. respectively during the previous year.

DAP DIVISION

During the year under review the Di-Ammonium Phosphatic (DAP) Plant produced 6.06 lac MT of DAP/NP as against 3.31 lac MT of DAP/NP during the previous year. The working of DAP plant has resulted into a cash loss of Rs. 311.33 Crs. during the year as against a cash loss of Rs. 299.71 Crs. during the previous year. The net loss after depreciation for the year is Rs. 429.18 Crs. as against Rs. 418.18 Crs. during the previous year.

OVERALL

During the year the sales/turnover was higher Rs. 1546.09 Crs. as compared to Rs. 1230.74 Crs. during previous year. The year ended with a cash loss of Rs. 144.88 Crs. and net loss of Rs. 312.63 Crs. as against cash loss of Rs. 106.90 Crs. and net loss of Rs. 282.35 Crs. during the previous year.

DEBT RESTRUCTURING SCHEME

In August 2003, a Debt Restructuring Scheme for Secured Loans of DAP division of the Company was approved by the Corporate Debt Restructuring Cell and all lenders other than Unit Trust of India. The CDR Cell has approved certain modifications to the existing Debt Restructuring Scheme in April, 2005. These modifications provide for, among other reliefs, reduction in rate of interest on long term loans as well as working capital, deferment of payment of instalments etc. The accounts of the company for year 2004-05 have been prepared on the basis of these modifications. Unit Trust of India is not a participant in the Debt Restructuring Scheme and has filed an application for recovery in Debt Recovery Tribunal (DRT) against the Company. The Company has filed a petition u/s 391 of the Companies Act, 1956 before The Hon'ble Allahabad High Court. The Allahabad High Court vide one of its order has restrained the DRT from passing any order in respect of the Interim/final relief prayed for by U.T.I.

DIVIDEND

In view of Net Loss, the Directors do not recommend any dividend for the year.

DIRECTORS

Shri Anil Bhalte retires by rotation and being eligible offers himself for re-appointment. Nomination of Shri

U.P. Singh was withdrawn and Shri M.D.Jha was appointed in his place by U.T.I. w.e.f. 18.01.2005. Nomination of Shri A. Karati was withdrawn by ICICI and Shri Sandeep Bakhshi was appointed in his place by ICICI w.e.f. 17.02.2005. Nomination of Shri R. Lookar was withdrawn by IFCI and Shri L. Mishra has been nominated as director in his place w.e.f. 30.06.2005. Your Directors place on record their appreciation of the services rendered by Shri U.P. Singh, Shri A. Karati and Shri R. Lookar during their tenure as Directors of the Company.

The terms of office of Shri Abhey Oswal, Managing Director, Shri Anil Bhalte, Whole time Director and Shri Ranjan Sharma, Director (Finance) have expired on 31st March, 2005. They are proposed to be re-appointed for a further period of three years w.e.f. 1st April, 2005 at the ensuing Annual General Meeting on the existing terms and conditions.

AUDITORS

M/s T.R. Chadha & Co., Chartered Accountants, who are holding office as Auditors of the company retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

The Auditors' report on audited accounts for the year 2004-05 contains qualifications regarding subsidy refund due to downward revision of retention price for earlier years which has been stayed by The Hon'ble Delhi High Court, non provision of doubtful debts, accounting of modifications of CDR package pending approval from respective lenders, non redemption of debentures of UTI and non payment of interest thereon and approval of Central Govt. for payment of managerial remuneration.

The directors are of the view that provision for subsidy refundable will be made as and when the matter pending with Hon'ble Delhi High Court is finally decided. The directors are confident that all debtors are fully realizable. Approval of CDR package from some of the lenders is awaited. Regarding non redemption of debentures and interest thereon to UTI, the company has filed a petition u/s 391 of the Companies Act, 1956 before The Hon'ble Allahabad High Court. Approval of Central Govt. for payment of managerial remuneration has been sought.

FIXED DEPOSITS

The Company has not invited any fixed deposits from the public during the year under report.

PARTICULARS OF ENERGY CONSERVATION

The Information required under Rule 11 of the Companies (Disclosure of particulars in the Report

of the Board of Directors) Rules, 1988 relating to the conservation of energy and technology absorption are given in the Annexure-I forming part of the Report.

INDUSTRIAL RELATIONS

The Directors are happy to state that relations between the Company and its employees remained cordial throughout the year. The Directors express their appreciation for the services rendered by the employees of the Company at various levels.

PARTICULARS OF EMPLOYEES

Particulars of Employees in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975 as amended are given in the Annexure-II forming part of this report.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors state:

- i) That in the preparation of the Annual Accounts the applicable accounting standards have been followed along with proper explanation in case of material departures;
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2005 and of the profits/loss of the Company for the year ended on 31st March, 2005;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- iv) That the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement, Corporate Governance Report and Management Discussion & Analysis are enclosed as Annexures - III & IV.

DELISTING OF SHARES

As per SEBI Guidelines, 2003 for voluntary delisting of Securities of the Company, the equity shares of the Company have been delisted from the U.P. Stock Exchange Association Ltd (Regional Exchange of the Company), The Delhi Stock Exchange Association Ltd., Ludhiana Stock Exchange Association Ltd. and the Madras Stock Exchange Ltd. Applications for delisting of shares are pending with Bombay Stock Exchange, Calcutta Stock Exchange and Ahmedabad Stock Exchange. The Equity Shares of the Company continue to be listed with National Stock Exchange of India Ltd. having nationwide trading terminals.

ACKNOWLEDGEMENTS

The Board of Directors wishes to thank various agencies of Central and State Governments, Financial Institutions and the Banks for extending their co-operation and continued support to the Company.

For & on behalf of the Board

Place : New Delhi
Date : 27th July, 2005


(ABHEY OSWAL)
CHAIRMAN &
MANAGING DIRECTOR

INFORMATION AS PER SECTION 217(1) (E) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2005.

I CONSERVATION OF ENERGY

- (a) **Energy Conservation Measures Taken :** The Company has been continuously making efforts through its dedicated team of Engineers to achieve high productivity and onstream efficiency. The Company's Technical Department continuously monitors energy consumption in the plants and takes corrective measures for conserving energy.
- (b) **Additional investments and proposals:** There is no major investment proposed on conservation of energy during the year. However, some inhouse modifications are being carried out in the plants which will result in conservation of energy.

Disclosure of particulars with respect to Conservation of Energy:

FORM-A

POWER AND FUEL CONSUMPTION		Unit	2004-05	2003-04
1)	Electricity			
(a)	Purchased			
	Units	MWH	31026	12107
	Total Amount	Rs./Lacs	1723.27	617.55
	Rate/Unit	Rs./KWH	5.55	6.75
(b)	Own Generation			
(i)	Through Gas Turbine			
	Quantity (Gross)	MWH	126339	122407
	Units Per SM ³ of Gas	KWH/SM ³	4.64	4.73
	Units Per Kg of Naptha	KWH/KG	5.34	6.17
	Cost/Unit	Rs./KWH	1.34	1.40
(ii)	Through steam generated in waste heat boilers and coal fired boilers in DAP Unit	KWH	125152	124859
2)	Fuel Consumption			
a)	Natural Gas (Ammonia-fuel, Power & Steam)			
	Quantity	YOODSM ³	133207	111120
	Total Cost	Rs./Lacs	6387.05	4572.77
	Rate/Unit	Rs./OODSM ³	4794.82	4114.93
b)	Naptha (Steam and Ammonia - Fuel)			
	Quantity	MT	104029	114101
	Total Cost	Rs./Lacs	26822.53	17768.67
	Cost/Unit	Rs./MT	20112	15573
c)	Furnace Oil			
	Quantity	K.Litre	4915	2599
	Total Cost	Rs./Lacs	683.11	334.69
	Cost/Unit	Rs./Litre	14.19	12.93
d)	Coal			
	Quantity	MT	264984	146573
	Total cost	Rs./Lacs	2711.15	1361.22
	Cost/Unit	Rs./MT	1023.60	935.06
e)	M.S.D.			
	Quantity	KL	1497	1102
	Total Cost	Rs./Lacs	338.67	211.37
	Cost/Unit	Rs./Litre	22.62	19.18
CONSUMPTION PER UNIT OF PRODUCTION				
i)	Urea			
	H.S.D.	Litre/MT	0.03	0.04
	Natural Gas (Ammonia-Fuel, Power & Steam)	SM ³ /MT	154.59	129.55
	Naptha (Steam and Ammonia - Fuel)	Kgs./MT	120.61	135.02
ii)	DAP			
	Electricity	KWH/MT	257.69	413.59
	Furnace Oil	Litre/MT	7.96	7.62
	HSD	Litre/MT	2.43	3.22
	Coal	Kg/MT	437.03	439.58

II TECHNOLOGY ABSORPTION

FORM-B

1. Research & Development (R&D)

(a) Specific Areas in which R & D carried out by the Company

(b) Benefits derived as a result of the above R&D

(c) Future Plan & Action

(d) Expenditure on R&D

2. Technology Absorption, Adaptation and Innovation :

(a) Efforts in brief made towards technology absorption, adaptation and innovation.

(b) Benefits derived as a result of the above efforts e.g. product improvement, product development, import substitution etc.

(c) Details of technology imported during the last 5 years.

(i) Technology

(ii) Year of Import

(iii) Has technology been fully absorbed

(iv) If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action

Investigations were made to use by-product Phospho Gypsum for production of Gypsum Boards to be used for construction of houses. Samples of Phospho Gypsum sent to M/s Rapidwall Technology, Australia, have been accepted for production of Gypsum Boards.

Company has decided to sign an agreement with M/s Rapidwall Technology, Australia for the technology and procurement of plant and machinery for production of Rapidwall Gypsum Boards at Paradeep. This will not only provide sales revenue for phospho gypsum, but will also give good returns on the sale of Rapidwall Boards and save the expenditure on stacking of waste Gypsum and pollution problems and cost of its disposal.

The company will continue its efforts to minimize the energy consumption and improve the efficiency of the plants in all areas.

No separate record for R&D expenditure is kept as the development work is continuously undertaken by the Technical Services Deptt. .

At Urea Plant, the technology of ammonia & urea manufacture has been completely absorbed and necessary adaptations and innovations have been made to optimize operations, improve process efficiency and productivity.

At Phosphatic Fertilizer Plant the technology provided by Lurgi Metallurgie of Germany for Sulphuric Acid Plant and Jacobs Engineering of USA for Phosphoric Acid Plant have been fully absorbed.

The Phosphatic Fertilizer Plant at Paradeep is based on technology provided by M/s Lurgi Metallurgie, Germany for Sulphuric Acid Plant and M/s. Jacobs Engineering, USA for the Phosphoric Acid and Granulation Plant.

The Plant has been commissioned in April, 2001.

The technology has been fully absorbed.

Not Applicable

III FOREIGN EXCHANGE EARNING AND OUTGO:

(a) Total foreign exchange used and earned

Used

Earned

	2004-05	2003-04
Used	63068.94	33765.63
Earned	Nil	Nil

For and on behalf of the Board

Abhey Oswal
Chairman & Management Director

ANNEXURE TO DIRECTORS' REPORT

Annexure - II

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SUB-SECTION (2A) OF SECTION 217 OF COMPANIES ACT, 1956, READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2006.

S. NO.	NAME	DESIGNATION	AGE (YRS.)	QUALIFICATION	REMUNERATION AMOUNT (RS)	DATE OF COMMENCEMENT OF EMPLOYMENT	EXPERIENCE (YRS.)	LAST EMPLOYMENT HELD & DESIGNATION
1.	Agrawal K.K.	Sr. Vice President	59	B.Sc. (Chemical Engg.)	2687567	03.05.2001	37	Vice President, UBM Group, Dubai
2.	Bhalla Anil	Director	55	B. Com	3527400	01.07.2000	34	Director, Oswal Agro Mills Ltd.
3.	Oswal A.K.	Chairman & Managing Director	56	B. Com	3736928	01.09.1995	35	Managing Director, Oswal Agro Furnace Ltd.
4.	Sharma Ranjan	Director-Finance	48	B. Com, FICWA, FCS, LLB	3527400	01.05.1990	27	Chief Executive, Oswal Agro Furnace Ltd.

- (i) Remuneration as shown above includes Salary, Allowances, Medical reimbursement, Leave Travel Assistance, Company's Contribution to Provident Fund & monetary value of Perquisites by the company.
- (ii) All the above employees except Mr. K.K. Agrawal are whole time Directors and none of them is related to each other.
- (iii) All appointments are contractual except that of Mr. K.K. Agrawal.

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To The Members of

Oswal Chemicals & Fertilizers Limited.

We have reviewed the implementation of Corporate Governance procedures by Oswal Chemicals & Fertilizers Limited during the year ended 31st March, 2005, with the relevant records and documents maintained by the company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

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. On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in clause 49 of the listing agreement(s) with the stock exchange(s) have, subject to items mentioned in paragraphs (i) below:

- (i) The information of quarterly results was not placed on the website of the company and the chairman of the audit committee has not attended the annual general meeting of the company held on August 25, 2004.

been complied with in all material respects by the Company and that 3 Investor' grievances are pending for a period exceeding one month against the Company as certified by the share transfer agent of the Company.

For T. R. Chadha & Co.
Chartered Accountants

Place: New Delhi
Date: 27th July, 2005

(Kapil Kedar)
Partner
M. No. - 064862

CORPORATE GOVERNANCE REPORT

Annexure - III

A detailed report on Corporate Governance as per the format prescribed by SEBI & incorporated in Clause 49 of the Listing Agreement is given here below:

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company believes in following sound corporate practices to ensure that the dealings of the company with all its stakeholders are directed to achieve its long term corporate goals. The company will strive not only to meet the statutory requirements of the Corporate Governance code introduced by SEBI and as incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges but to go beyond them and follow transparent systems and procedures in line with the global trends.

Your Company continues to follow procedures and practice in conformity with the code of Corporate Governance enshrined in the Listing Agreement.

2. BOARD OF DIRECTORS COMPOSITION AND CATEGORY

The Strength of Board of Directors is 11 as on 31st March, 2005, whose composition is given below:

Executive Directors	: 3 (Three)
Non-Executive Independent Directors	: 8 (Eight)

Independent Directors apart from getting sitting fees do not have any other material pecuniary relationship or transactions with the Company, its Promoters, its Management or its Associates.

COMPOSITION OF BOARD OF DIRECTORS, NUMBER OF DIRECTORSHIP IN OTHER COMPANIES AND MEMBERSHIPS IN THE BOARD AND COMMITTEE OF OTHER COMPANIES:

S.No.	Name of Directors	Position	Category of Director	No. of Directorship of other Companies	No. of Membership in Board Committee	
					Chairman	Member
1.	Shri Abhay Oswal	Chairman & Managing Director	Executive Director	2	NIL	1
2.	Shri Anil Bhalla	Whole-Time Director	- do -	2	NIL	NIL
3.	Shri Ranjan Sharma	Director (Finance)	-do-	1	NIL	NIL
4.	Shri P. Kumar	Independent Director	Non Executive Independent Director	1	NIL	2
5.	Shri A. Karati**	ICICI Nominee	-do-	Not available	Not available	Not available
6.	Shri S.C. Marwaha	SBI Nominee	-do-	NIL	NIL	NIL
7.	Shri C.M. Bhargava	LIC Nominee	-do-	NIL	NIL	NIL
8.	Shri S.C. Bhandari	GIC Nominee	-do-	2	NIL	NIL
9.	Shri U.P. Singh*	UTI Nominee	-do-	NIL	1	2
10.	Shri R. Loonkar	IFCI Nominee	-do-	Not available	Not available	Not available
11.	Shri C.P. Philip	IDBI Nominee	-do-	2	NIL	4
12.	Shri M.D. Jha	UTI Nominee	-do-	1	NIL	NIL
13.	Shri Sandeep Bakhshi	ICICI Nominee	-do-	1	NIL	NIL

* Ceased to be Director w.e.f. 18.01.2005 ** Ceased to be Director w.e.f. 17.02.2005

The Number of Non-Executive Independent Directors are more than 50% of total number of Directors.

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND AT LAST ANNUAL GENERAL MEETING:

Name of the Directors	No. of Board Meetings held	No. of Board Meetings attended	Whether attended last AGM
Executive Director			
Shri Abhey Oswal	5	2	NO
Shri Anil Bhalla	5	3	NO
Shri Ranjan Sharma	5	5	YES
Non-Executive Directors			
Shri P.Kumar	5	4	YES
Shri S.C. Marwaha (SBI)	5	5	NO
Shri A. Karati (ICICI)(c)*	5	4	NO
Shri C.M. Bhargava (LIC)	5	5	NO
Shri S.C. Bhandari (GIC)	5	4	NO
Shri U.P. Singh (UTI) (a)*	4	4	NO
Shri R. Loonkar (ICICI)	5	5	NO
Shri C.P. Philip (IDBI)	5	4	NO
Shri M.D. Jha (UTI) (b)*	1	1	NA
Shri Sandeep Bakhshi (ICICI)(d)*	-	-	NA

(a)* Resigned w.e.f. 18.01.2005

(b)* Nominated w.e.f. 18.01.2005 by UTI

(c)* Resigned w.e.f. 17.02.2005

(d)* Nominated w.e.f. 17.02.2005 by ICICI

During the year under review, five Board Meetings were held as indicated below :

Date of Board Meetings
29.06.2004, 30.07.2004, 20.09.2004, 30.10.2004 & 31.01.2005

3. COMMITTEE OF BOARD OF DIRECTORS:

The Board of Directors had constituted 5 Committees of the Board, namely Share Transfer Committee, Audit Committee, Investors Grievance Committee, Remuneration Committee and Project Management Committee. The Committees meet as often as required. The details of Committees and meetings thereof are as follows.

SHARE TRANSFER COMMITTEE

Details of the Meetings held

Role & Responsibilities	Members	No. of Meetings held during the year	No. of Meetings attended
To approve transfer of Shares (Physical/Demat), issue of Duplicate/Consolidated/ Split/Deface/ Remat Share Certificates etc.	Shri Abhey Oswal	24	10
	Shri Anil Bhalla	24	24
	Shri Ranjan Sharma	24	23

AUDIT COMMITTEE

ROLE & RESPONSIBILITIES

a.	Overseeing the Company's Financial reporting process and the disclosure of its Financial Information
b.	Recommending the appointment and removal of external auditor, fixation of audit fee and other payments to be made to him.
c.	Reviewing with Management the annual financial statements before submission to the Board.
d.	Reviewing with the Management, external and internal auditors, the adequacy of internal Control systems.
e.	Reviewing the adequacy of internal audit function, including the structure of the internal audit department including coverage and frequency of internal Audit.
f.	Discussion with internal auditors regarding any significant findings and follow up thereon.
g.	Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
h.	Discussion with the external auditors before the audit commences, nature and scope of audit and also to have post Audit discussion for area of concern.
i.	Reviewing the company's financial and risk management policies.
j.	To look into the reasons for default in payment to Depositors, Debentureholders & Shareholders and Creditors.
k.	To investigate any activity within its terms of reference and to seek Legal or Professional advise and any information from the Employees of the Company or outsiders having expertise as may be deemed necessary.

Members	Details of Meetings held	
	No. of Meetings held	No. of Meetings attended
Shri A Karati, (Chairman)*	4	4
Shri P Kumar	4	4
Shri S C Marwaha	4	4
Shri R Loonkar	4	4

*Ceased to be member/chairman of committee on withdrawal of nomination by ICICI from the Board.

All the members of the Audit committee are independent and Non-Executive Directors. All these Directors are having sufficient knowledge of corporate finance, accounts and company law matters. The Chairman of the Committee is a Non-Executive Independent Director nominated by the Board. Director (Finance) of the Company is permanent invitee at the meetings of the Committee and has vast knowledge of Finance, Accounts and legal matters. The Statutory Auditors and the Internal Auditors are also invited in the meetings of Committee from time to time. The Company Secretary acts as the Secretary of the Committee.

INVESTORS' GRIEVANCE COMMITTEE

Investors' Grievance Committee was formed by the Board of Directors comprising of 3 Directors out of which one is Non Executive Independent Director, who is also the Chairman of the Committee. Details of the Meetings held during the year are as under:-

Members	No. of Meetings held	No. of Meetings attended
Shri A. Karaj*	4	2
Shri Anil Bhalla	4	3
Shri Ranjan Sharma	4	4

*Ceased to be member/chairman of committee on withdrawal of nomination by ICICI from the Board.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 30.01.2003 by the Board of Directors comprising of three Non-Executive Independent Directors. The Remuneration Committee has the powers to determine and recommend to the Board of the remuneration payable to Executive Directors. No meeting of remuneration committee was held during the year.

PROJECT MANAGEMENT COMMITTEE

The Project Management Committee was formed by the Board of Directors in its meeting held on 31st January, 2005 under the chairmanship of Shri Abhey Oswal, Chairman & Managing Director. Other members of the Committee are nominee directors of ICICI, IDBI, IFCI and SBI. No meeting of Project Management Committee was held during the year.

4. COMPLIANCE OFFICER:

Mr. H.K. Gupta, Company Secretary is the compliance officer.

5. SHAREHOLDERS COMPLAINTS:

No. of complaints received During 01.04.2004 to 31.03.2005	No. of complaints resolved to the satisfaction of shareholders	No. of pending transfer of shares
779	757*	Nil**

* Remaining complaints were redressed during the month of April/May, 2005

** As on date there are no shares pending for transfer except disputed cases or where restrain order is still pending.

6. ANNUAL GENERAL MEETINGS:

Particulars	2001-2002	2002-2003	2003-2004
Date & Time	21.09.2002 11: 00 A.M.	13.09.2003 11: 00 A.M.	25.08.2004 11:00 A.M.
Venue	Village & P.O. Piprola, Jatalabad Road, Shahjahanpur-242001, (U.P.)		
No. of Special Resolution passed	NIL	7	1

POSTAL BALLOT:

The Company shall follow the relevant provisions of law regarding Postal Ballot as and when required.

7. DISCLOSURES:

- There were no transactions in the company of material nature with its Directors, Management or relatives etc. that may have potential conflict with the interest of the company at large.
- There were no cases of non-compliance by the company and no penalties and strictures were imposed on the company by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets during the last 3 years.

8. MEANS OF COMMUNICATION:

The company publishes its quarterly results in English Newspaper "Pioneer" having all India circulation and Hindi Newspaper "Amar Ujala (Kanpur Edition)" having circulation mainly in the State of Uttar Pradesh. Company also displays its quarterly results and significant corporate information on its website Oswalfert.com. Half yearly Unaudited Financial results are sent to the Stock Exchanges, where the Company's shares are listed.

9. INTERNAL AUDITORS:

The Company has appointed a firm of Chartered Accountants as Internal Auditor to review internal control systems of the Company and to report thereon. The reports of the Internal Auditors are reviewed by the Audit Committee.

10. REMUNERATION OF DIRECTORS:

The company has no pecuniary relationship or transaction with its non-executive Directors, other than payment of sitting fees for attending Board and Committee Meetings.

The remuneration being paid to Executive Directors was approved by the remuneration committee in its meeting held on 30.01.2003 by the Board of Directors in the meeting held on 30.01.2003 and by the shareholders of the Company in its meeting held on 13.09.2003. The said remuneration is within the revised limit of minimum remuneration in case of inadequacy of profit or no profit prescribed in Section - II of Part II of Schedule XIII of the Companies Act, 1956. The company does not have any incentive plan linked to performance or achievement of the Company's objectives. There is no stock option scheme for any of the Directors or Employees of the Company.

Details of remuneration/sitting fees paid to Directors of the Company during the financial year ended March 31, 2005 are given below:

(Amt. in Rs.)

S.No.	Name of the Directors	Salary	P.F.	Perquisites	Sitting fee for attending Board/Committee meetings.
1	Shri Abhey Oswal	18,00,000	2,16,000	17,40,828	Nil
2	Shri Anil Bhalta	18,00,000	2,16,000	15,11,400	Nil
3	Shri Ranjan Sharma	18,00,000	2,16,000	15,11,400	Nil
4	Shri P. Kumar	Nil	Nil	Nil	40,000
NOMINEE DIRECTORS					
5	Shri S. C. Marwaha	Nil	Nil	Nil	45,000
6	Shri A. Karati**	Nil	Nil	Nil	40,000
7	Shri C. M. Bhargav	Nil	Nil	Nil	25,000
8	Shri S. C. Bhandari	Nil	Nil	Nil	20,000
9	Shri U. P. Singh*	Nil	Nil	Nil	20,000
10	Shri R. Lognker	Nil	Nil	Nil	45,000
11	Shri C. P. Phillip	Nil	Nil	Nil	20,000
12	Shri M.D.Jha ***	Nil	Nil	Nil	5,000
13	Shri Sandeep Bakhshi****	Nil	Nil	Nil	N.A.

* Nomination withdrawn by UTI on 18.01.2005

** Nomination withdrawn by ICICI on 17.02.2005

*** Nominated w.e.f 18.01.2005 by UTI.

**** Nominated w.e.f. 17.02.2005 by ICICI.

11. GENERAL SHAREHOLDERS' INFORMATION:

Annual General Meeting is proposed to be held

Date : 24th September, 2005.

Venue : Village & P.O. Piprola, Jalalabad Road, Shahjahanpur – 242 001 (U.P.)

Book Closure Date : 21st September, 2005 to 24th September, 2005.Dividend Payment : Due to net loss, the directors have not proposed any dividend for the Financial Year ended 31st March, 2005.

12. (a) FINANCIAL CALENDAR

Unaudited Financial Results

For the quarter ended

30.06.2005

30.09.2005

31.12.2005

31.03.2006

Next Annual General Meeting

Tentative Dates

4th week of July, 20054th week of Oct, 20054th week of Jan, 20064th week of April, 2006

Last week of September, 2006

(b) Shares of the Company are listed on the following Stock Exchanges :

S.No.	Name of the Stock Exchange	Stock Code	No. of Company's Shares
1*	The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Kolkata- 700 001		10025044
2*	The Stock Exchange Mumbai, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai – 400 001		500063
3*	The Stock Exchange Ahmedabad, Kamdhenu Complex, Opp. Shahjahan College, Panjarapole, Ahmedabad – 380 015		Not available
4.**	Madras Stock Exchange Ltd., 11 Second Line Beach, Chennai – 600001		Not available
5.**	The Ludhiana Stock Exchange Ltd., Feroze Gandhi Market, Ludhiana – 141001		OCF
6.***	National Stock Exchange of India Ltd., Exchange Plaza, Bandra – Kurla Complex, Bandra (East), Mumbai – 400 051		Bindal Agro

Annual Listing fees upto 2004-2005 were paid to The U.P. Stock Exchange Association Ltd., The Stock Exchange Mumbai, The Ludhiana Stock Exchange Association Ltd, The Delhi Stock Exchange Association Ltd., Madras Stock Exchange Ltd. and National Stock Exchange of India Ltd.

* Pursuant to SEBI guidelines, 2002 for voluntary delisting of Securities of the Company and approval of shareholders of the company in its meeting held on 13.09.2003, applications for delisting of securities of the Company are pending with the Stock Exchanges as given above, whereas the share of the company has been delisted from Kanpur and Delhi Stock Exchanges.

** The Shares of the Company have since been delisted from Madras and Ludhiana Stock Exchanges.

*** The Shares of the company continue to be listed with the National Stock Exchange of India Ltd, Mumbai.

(c) MARKET PRICE DATA

(Figures in Rs.)

Month	Bombay Stock Exchange		National Stock Exchange	
	HIGH	LOW	HIGH	LOW
April, 2004	6.15	4.50	6.10	4.50
May, 2004	6.24	4.31	6.40	4.25
June, 2004	-	-	5.20	4.00
July, 2004	-	-	5.35	4.40
August, 2004	-	-	4.70	4.00
September, 2004	-	-	6.60	4.45
October, 2004	-	-	6.05	5.20
November, 2004	-	-	-	-
December, 2004	-	-	11.90	5.50
January, 2005	-	-	10.80	7.00
February, 2005	-	-	15.15	7.65
March, 2005	-	-	12.00	8.25

(d) **REGISTRAR & SHARE TRANSFER AGENT**
M/s Skyline Financial Services Pvt. Ltd. 123, Vinoba Puri, Lajpat Nagar – II, New Delhi - 110 024, Phone No. 29833777, 29847136, Fax No 29846352

(e) **SHARE TRANSFER SYSTEM**
The Shares of the company fall under the category of compulsory demat form for all the investors. The Share Transfer request received in physical form are registered within 30 days from the date of lodgment of shares and demat request received from the Depository Participants are processed within 21 days from the date of receipt.

(f) **DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2005**

No. of Shares	No. of Shares held	%	No. of Shareholders	%
1-500	46276731	18.02	303100	93.63
501-1000	9809077	3.82	13276	4.10
1001-2000	6351014	2.47	4295	1.33
2001-3000	2835204	1.11	1111	0.34
3001-4000	1544505	0.60	432	0.13
4001-5000	2235974	0.87	470	0.15
5001-10000	4214292	1.64	562	0.17
10001 and above	183542362	71.47	465	0.15
TOTAL	256809159	100.00	323711	100.00

(g) **SHAREHOLDING PATTERN AS ON 31.03.2005**

Category	No. of Shares	%age of holding
A Promoters and Associates	13,92,07,452	54.21
B Banks, Financial Institutions and Mutual Funds	2,34,32,661	9.12
C Indian Public	8,85,52,538	34.48
D NRI/OCB/FII's	58,16,508	2.19
TOTAL	25,68,09,159	100.00

(h) **DEMATERIALISATION OF SHARES**

The equity shares of the company fall under the category of compulsory demat form for all the investors. The company provides facilities for simultaneous transfer and dematerialisation of shares to its investors through its Registrar & Share Transfer Agent. About 74.75% of the Equity Share Capital of the company has been demat till 31.3.2005. The shares of the Company are traded in Demat mode under ISIN Number INE 143A01010.

(i) **PLANT LOCATIONS**

- 1) Urea Division: Regd. Office - Village Piproti, Jalandhar Road Shahjahanpur-242 001 (UP)
- 2) Phosphatic Fertilizer Division: Village Mussolia, Distt. Jagat Singh Pur Paradeep (Orissa) - 754 142.

(j) **INVESTORS' CORRESPONDENCE**

The Investors/shareholders may make correspondence for

- Transfer and dematerialisation of shares,
- Non-receipt of dividend,
- Query relating to Annual Report,
- Query relating to any other matter for the shares held in the company at the following addresses :
 - OSWAL CHEMICALS & FERTILIZERS LTD., 7th FLOOR, ANRIKSH BHAWAN, 22, K.G. MARG, NEW DELHI - 110 001, PHONE No. 23715242, 23322950
 - SKYLINE FINANCIAL SERVICES PVT. LTD. (Registrar & Share Transfer Agent), 123, VINOBA PURI, LAJPAT NAGAR-II, NEW DELHI - 110024, PHONE No. - 29833777, 29847136.

Shareholders holding shares in Demat Form are to inform their respective Depository Participants for any change in the Bank Details, Mandate, Power of Attorney or Change of Address.

(k) The Company will comply with the Non-Mandatory requirements given in Schedule - III of Clause 49 of the Listing Agreement with the Stock Exchanges, as and when required.

Annexure - IV

MANAGEMENT DISCUSSION & ANALYSIS

1. OVERVIEW

The demand of fertilizer products i.e. DAP and Urea has shown an increase as compared to last year. This is due to the growth in the farm sector, which has benefited due to better monsoons as well as more focused approach of the Govt. towards agriculture. The international market for raw materials and finished products is facing a shortage which is reflected in a rise in prices in recent past. However, the Government of India is under tremendous pressure to prune its subsidy outgo while remaining committed to providing much needed fertilizer inputs to the farmers at controlled prices.

2. SEGMENT WISE PERFORMANCE

Urea Plant

Urea Plant continues to operate satisfactorily. Availability of natural gas as feed and fuel was a constraint. However, due to availability of RLNG, this problem has to some extent been solved. To make the operations more cost effective, it is proposed to go in for energy saving schemes which will lead to reduction in energy consumption and increase in production levels to 9.50 Lakh MT consistently.

DAP Plant

The DAP Plant did not perform optimally for a large part of the year due to various reasons. The management is seized of the problems and is taking effective steps to strengthen the managerial/technical set up at the Plant.

3. HUMAN RELATIONS

Industrial relations of the Company continued to be cordial throughout the year. Total number of employees as on March 31, 2005 was 2113.

4. INTERNAL CONTROL SYSTEMS

The company has a proper and adequate system of internal controls to ensure accuracy of records, compliance with all laws and regulations and compliance with all rules, procedures and guidelines prescribed by the management. The observations and shortcomings pointed out by the auditors are discussed at various forums, the topmost being the audit committee of the Board of Directors.

5. RISKS AND CONCERNS

The rising prices of raw materials viz. natural gas, naphtha, rock phosphata, sulphur and ammonia on one hand and fiscal pressure on the Govt. of India to prune its burgeoning outgo are likely to result in cash flow mismatch. In addition, fertilizer business is critically dependent on timely arrival of monsoons.

6. OPPORTUNITY AND OUTLOOK

Your company believes that due to increased focus of the Government on the agriculture sector, the fertilizer business in the country has a critical role to play in the overall economic growth of the country. The Government policies are also now being modulated in such a way so as to lead towards the eventual decontrol of the fertilizer sector. In this scenario, low cost producers such as your company stand to gain substantially. At the same time, steps are in hand to augment production levels in both the plants to reap the benefit of economies of scale and for optimum recovery of fixed costs.

AUDITORS' REPORT

To the Shareholders of Oswal Chemicals & Fertilizers Limited

1. We have audited the attached Balance Sheet of Oswal Chemicals & Fertilizers Limited as at March 31, 2005, the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) Subject to our comments in paragraphs 5.2 below, 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 have been kept by the Company as required by law so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with in this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the 'Act';
 - (e) On the basis of written representations given by the Directors of the Company other than Nominee Directors who are, exempt, and taken on record by the Board of Directors, and based on legal opinion obtained by the company, we report that none of the Directors are disqualified from

being appointed as a director as on March 31, 2005 in terms of clause (g) of sub-section (1) to Section 274 of the Act.

- (f) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss and Cash Flow Statement, together with the notes thereon and attached thereto, give in the prescribed manner, the information required by the 'Act', and, read with note - 26 on schedule XXII regarding the preparation of these accounts on a going concern basis, and subject to our comments in paragraphs 5.1 to 5.6 below, give respectively, a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
 - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

- 5.1 Note no. 9 (c) on schedule XXII regarding non provision of debtors amounting to Rs. 175.27 lacs against whom legal cases have been filed by the company for the reasons stated therein.
- 5.2 Note 9 (a) & (b) on schedule XXII regarding non-reconciliation of accounts of certain suppliers of DAP division, and interest payable to erstwhile debenture/ bond holders and payments made to them based on their claims.
- 5.3 Note 6 on schedule XXII regarding non-provision of subsidy refund due to downward revision of retention price contested by the Company, the recovery of which has been stayed by the Hon'ble Delhi High Court, estimated to be Rs. 21,769.92 lacs, the ultimate liability of which could not be readily ascertained.
- 5.4 Note 20 of schedule XXII regarding issuance of preference shares as at 31.3.2005 for Rs. 24805.59 lacs (Previous Year Rs. 2185.95 lacs) and conversion of interest into funded interest term loan amounting to Rs. 7622.89 lacs during the year. Rs. 21166.54 lacs as at 31.03.2005 (previous Year Rs. 12569.99 lacs) pursuant to a Debt Restructuring Scheme for secured loans of DAP division as approved by the Corporate Debt Restructuring Cell being subject to reconciliation/confirmation by the lenders. Further accounting of modifications of CDR package sanctioned in April, 2005 relating to relief, reduction in rate of interest resulting in lower interest provision during the year of Rs. 7072.23 lacs, deferment of payment of instalment etc. in the accounts as at 31.03.2005 is pending approval from respective authorities of the lenders.
- 5.5 Note no. 21 regarding non redemption of debentures of Unit Trust of India on due dates of Rs. 2115.23 lacs and non payment of interest thereon amounting to Rs. 4998.65 lacs.

5.6 Note 11(b) of Schedule XXII regarding managerial remuneration amounting to Rs. 108.11 lacs paid to directors, being subject to approval of Central Government.

We further report that without considering our comments in paragraphs 5.2 to 5.5 above, the impact of which we are unable to quantify and after considering adjustments arising on account of our comments in paragraphs 5.1 above, to the extent quantifiable, would result in the loss before tax of Rs. 31438.03 lacs as against Rs. 31262.76 lacs as shown in the Profit and Loss Account. Consequently, net current assets would change to Rs. 61124.62 lacs as against Rs. 61299.89 lacs and debit balance in profit and loss account would change to Rs. 88274.78 lacs as against Rs. 88099.51 lacs as shown in the Balance Sheet.

For T.R. Chadha & Co.
Chartered Accountants

Place: New Delhi
Date: 30th June, 2005

(Kapil Kedar)
Partner
M. No. - 094902

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date]

- i) a) The Company has maintained proper records other than for closed divisions, and furniture & fixtures to show full particulars including quantitative details and situation of its fixed assets.
 - b) According to information and explanations given to us, the fixed assets of the Company are physically verified by the management in a phased programme designed to cover all items of the Urea and the DAP divisions over a period of two years which in our opinion is reasonable. No material discrepancies were noticed on this verification, except for Furniture & Fixtures in respect of which we are unable to comment in view of para (f) (a) above.
 - c) In our opinion and according to the information and explanations given to us, substantial part of fixed assets has not been disposed of by the Company during the year.
- ii) a) The inventory (excluding stocks with third parties aggregating Rs. 799.08 lacs, which has not been confirmed) has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
 - b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

- iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register/maintained under Section 301 of the Act. Accordingly, clauses 3(b), (c) & (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, in general, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of Act, have been so entered.
 - a) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of rupees five lacs in respect of any party during the year, which have been made at prices which are not reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Rules framed there under.
- vii) In our opinion, the Company's present internal audit system is generally commensurate with its size and nature of its business.
- viii) 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 of India, the maintenance of cost records has been prescribed under clause (b) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including investor education and protection fund, employees' state insurance, income-tax, wealth tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities. Outstanding statutory dues for more than six months as on 31.03.2005 are given below:

Name of the Statute	Nature of the Dues	Amount (Rs. in lacs)	Remarks
The Companies Act, 1956	Investor Education & Protection Fund	13.15	Since deposited

b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of sales-tax, income-tax, customs duty, wealth tax, service tax, excise duty and cess as at March 31, 2005 which have not been deposited on account of a dispute, are as follows -

Name of the statute	Nature of dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income tax including interest	1329.01	Assessment Years 1998-99, 2000-01 and 2001-02	Income Tax Appellate Tribunal, Cesta for Rs. 1148.70 lacs have been decided in favour of the Company in May, 03, balance demand adjusted against refund after 31-03-2005.
Income Tax Act, 1961	Income tax including interest	73.04	Assessment Year 1991-92	Commissioner of Income Tax (Appeals), adjusted against refund after 31-03-2005.
Wealth Tax Act, 1957	Wealth tax including interest	4.63	Assessment Year 1993-94 to 1997-98	Income Tax Appellate Tribunal
Service Tax	Service tax on transporter	52.44	18.11.97 to 1.8.98	Additional Commissioner, Central Excise, Lucknow.
Service Tax	Service tax on transporter	1.31	16.11.97 to 1.6.98	Deputy Commissioner, Central Excise, Siligur.
Bihar Finance Act, 1981	Sales Tax including interest and penalty	322.16	Financial Year 2000-01 & 2002-03	Joint Commissioner of Commercial Taxes (Appeal), Patna
Bihar Finance Act, 1981	Sales Tax including interest and penalty	123.37	Financial Year 2000-01 & from 1.4.2000 to 31.10.2002	Commissioner of Commercial taxes, Patna
Orissa Sales Act, 1947	Sales tax including interest	255.71	June 30, 2000 to March 31, 2003	Hon'ble High Court of Orissa
Uttanchal Trade Tax	Sales Tax including interest and penalty	0.37	Financial Year 2002-03	Joint Commissioner
MP Sales Tax	Sales tax including interest	27.09	Financial year 1992-93	Revision petition before Additional Commissioner, Bhopal

- x) The accumulated losses of the Company as at March 31, 2005 are more than fifty percent of its net worth and it has also incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
- xi) According to the records of the Company, it has defaulted in repayment of following dues to financial institutions/bankal debenture holders during the year:

Bank/Financial Institutions/Debenture holders	Amount of Default (Rs. in lacs)	Period of Default (days)	Remarks
Financial Institutions (various except UTI)	2848.75	various amounts ranging from 89 to 91 days	Out of which Rs 10.08 lacs is disputed.
Debenture holders (UTI Redemption amount & interest)	7123.95	various amounts ranging from 16 to 912 days	

A debt restructuring scheme for secured loans of DAP division of the Company has been approved by the Corporate Debt Restructuring Cell under which, inter alia, all defaults (other than in respect of loans amounting to Rs 9,875 lacs due to Unit Trust of India) have been restructured.

- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit funds/societies are not applicable to the Company.
- xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv) In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) The Company has not obtained any term loans during the year. However, under the Debt Restructuring Scheme referred to in Note 20 on Schedule XXII interest converted to funded interest term loan has not been considered under this clause.
- xvii) On the basis of review of utilisation of funds on an overall basis, related information as made available to us and as represented to us by the management, funds raised on short term basis have not been used to finance long term assets (other than Rs. 4932.79 lacs which have been used to finance core working capital).
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix) The Company has not issued any debenture during the year and accordingly, no securities have been created.
- xx) The Company has not raised any money by public issues during the year.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For T. R. Chaudh & Co.
Chartered Accountants

Balance Sheet
As At 31st March, 2005

Particulars	Schedule No.	As At 31.03.2005 (Rs.in Lacs)	As At 31.03.2004 (Rs.in Lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	I	74,486.50	51,866.87
Reserves & Surplus	II	54,662.84	54,662.84
		129,149.34	106,529.71
Loan Funds			
Secured Loans	...	235,503.22	249,036.02
		364,652.56	355,565.73
Application Of Funds			
Fixed Assets			
Gross Block		369,134.09	369,661.11
Less: Depreciation		164,279.30	147,615.53
Net Block		204,854.79	222,045.58
Capital Work In Progress		4,977.08	6,072.65
		209,831.87	228,118.23
Investments			
Deferred Tax Asset (net) (Note 16 on Schedule XXII)		4,898.23	4,908.44
Current Assets, Loans & Advances			
Inventories	I	54,358.19	39,660.34
Sundry Debtors	III	28,921.17	47,105.31
Cash & Bank Balances	X	1,072.77	2,734.45
Loans & Advances	X	3,310.44	2,792.87
		87,662.57	92,292.97
Less: Current Liabilities & Provisions			
Current Liabilities	XI	25,759.92	26,909.41
Provisions	XII	602.76	727.36
		26,362.68	27,636.77
Net Current Assets		61,299.89	64,656.20
Miscellaneous Expenditure			
(To the extent not written off or adjusted)			
Deferred Revenue Expenditure (Note 10 on schedule XXII)		523.06	1,046.11
Profit & Loss Account		88,099.51	56,836.75
		364,652.56	355,565.73
Significant Accounting Policies and Notes to the Accounts			
	XXII		

This is the Balance Sheet referred to in our report of even date

The schedules referred to above form an integral Part of the Balance Sheet

For and on behalf of the board

Kapil Kedar
Partner
Membership No.094902
For and on Behalf of
T.R.CHADHA & CO.
Chartered Accountants
Place: New Delhi
Date: 30th June,2005

H.K.Gupta
Company
Secretary

S P Arya
GM (Finance)

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

Profit & Loss Account
For the year ended 31st March, 2005

Particulars	Schedule No.	For the year	For the year
		Ended on 31.03.2005	Ended on 31.3.2004
		(Rs.in Lacs)	(Rs.In Lacs)
Income			
Sales (Note 8 on schedule XXII)		154,055.51	120,884.36
Other Income	XIII	553.14	2,189.59
		<u>154,608.65</u>	<u>123,073.95</u>
Expenditure			
Raw Material Consumption	XIV	83,425.85	45,894.20
Other Manufacturing Expenses	XV	43,205.59	34,167.57
Employees' Cost	XVI	2,948.81	3,017.47
Selling Expenses	XVII	13,095.59	12,164.77
Finance Expenses	XVIII	27,047.61	30,273.63
Depreciation		16,774.38	17,545.01
Administration Expenses	XIX	3,984.02	4,069.32
Adjustments due to (Increase)/Decrease in Stock of Finished Goods and Work In Progress	XX	(5,135.79)	3,467.50
		<u>185,346.06</u>	<u>150,599.47</u>
Loss before Prior Period Adjustments and Taxation		(30,737.41)	(27,525.52)
Prior Period Adjustments	XXI	525.35	709.43
Loss before Tax Expense		<u>(31,262.76)</u>	<u>(28,234.95)</u>
- Deferred Tax Asset (Net) of earlier year written off		-	101.96
Loss after Tax Expense		(31,262.76)	(28,336.91)
Loss brought forward from Previous Year		(56,836.75)	(28,499.84)
Balance Carried to Balance Sheet		<u>(88,099.51)</u>	<u>(56,836.75)</u>
Earning Per Share (Nominal value of Rs.10 each)			
Basic / Diluted (Note 22 on Schedule XXII) (Rs.)		(12.17)	(11.03)
Significant Accounting Policies and Notes to the Accounts	XXII		

This is the Profit & Loss Account
referred to in our report of even date

The schedules referred to above form an integral
part of the Profit & Loss Account

For and on behalf of the board

Kapil Kedar
Partner
Membership No.094902
For and on Behalf of
T.R.CHADHA & CO.
Chartered Accountants
Place: New Delhi
Date: 30th June,2005

H.K.Gupta
Company
Secretary

S P Arya
GM (Finance)

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

	Year Ended March 31, 2005 Amount (Rs. In Lacs)	Year Ended March 31, 2004 Amount (Rs. In Lacs)
A. Cash flow from operating activities:		
Net loss before tax	(31,282.78)	(26,234.95)
Adjustments for:		
Depreciation	17,066.24	17,586.72
Finance Expense	27,047.81	30,582.90
Interest Income	(139.07)	(404.10)
(Profit)/Loss on sale/write off of Fixed Assets/CWIP	783.21	834.47
Deferred revenue expenditure written off	523.05	523.05
Loss/(Profit) on sale/write off of Investment	10.01	112.54
Liability no longer required written back	(28.80)	(686.81)
Unrealised Foreign Exchange Fluctuation	(1.28)	(65.95)
Provision/write off for bad & doubtful debts/advances	44.69	134.38
Provision for Gratuity & Leave Encashment	(8.07)	88.53
Provision for inventory for obsolete/damaged stock	178.48	-
Prior Period Expenses/(Income) (Net)	233.48	358.52
Wealth Tax Provision	3.76	17.97
Operating profit before working capital changes	14,460.53	20,965.20
Adjustments for changes in working capital:		
- (Increase)/Decrease in Sundry Debtors	18,158.14	(787.04)
- (Increase)/Decrease in Other Receivables	(597.93)	1,186.82
- (Increase)/Decrease in Inventories	(14,876.33)	728.08
- Increase/(Decrease) in Trade and Other Payables	(381.22)	4,940.14
- Increase/(Decrease) in Net Current Assets		
	2,303.86	6,067.80
Cash generated from operations	16,764.19	26,933.00
- Prior Period (Expenses)/Income (Net)	(233.46)	(358.52)
- Wealth Tax Paid	0.00	(4.70)
- Taxes Refund /Payment	(76.29)	(256.88)
Net cash from operating activities	16,454.44	26,312.90
B. Cash flow from investing activities:		
Purchase of fixed assets	(300.12)	(3,445.75)
Proceeds from Sale/retirement of fixed assets/Capital work in progress	727.03	368.08
(Purchase)/Sale of investments	0.20	106.74
Interest Received (Revenue)	155.74	379.09
Net cash used in investing activities	582.85	(2,593.86)
C. Cash flow from financing activities:		
Proceeds from unsecured loans		
Proceeds from long term borrowings	1,290.91	1,656.95
Repayments of long term borrowings	(5,248.28)	(12,611.53)
Proceeds (Repayments) from short term borrowings/cash credit	(3,012.22)	(4,880.78)
Finance Expense Paid	(11,678.02)	(7,320.20)
Dividend Paid	(41.36)	(0.21)
Net cash used in financing activities	(18,698.97)	(23,055.77)
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,661.68)	663.34
Cash and cash equivalents as at 31.03.2004	2,734.45	2,071.11
Cash and Bank balances	2,734.45	2,071.11
Cash and cash equivalents as at 31.03.2005	1,072.77	2,734.45
Cash and Bank balances	1,072.77	2,734.45

- Notes:
- The above Cash flow statement has been prepared under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.
 - Figures in brackets indicate cash outgo.
 - Cash and cash equivalents includes balances with the scheduled bank under dividend payable accounts Rs. 0.45 (Previous Year Rs. 41.26 lacs) and Rs 850.83 (Previous Year Rs. 2321.16 lacs) against the margin money for Letter of Credit/Bank guarantees and Rs 37.71 lacs (Previous Year Rs. 33.79 lacs) against the security deposit received from employees which are not available for use by the Company.
 - Following non cash transactions have not been considered in the cash flow statement.
 - Tax deducted at source (on income) Rs. 31.72 Lacs (Previous Year Rs. 30.73 Lacs).
 - Long term borrowings amounting to Rs. 24,806.58 have been converted into Amount Pending Allotment/Adjustment against Preference Share Capital (Refer Note 20(a)(i) and 20(b)(i))
 - Previous year's figures have been re-grouped/ re-arranged wherever necessary to conform to the current year's presentation.

This is the Cash Flow referred to in our report of even date.

Notes to accounts (Schedule XXI) forms an integral Part of the Cash Flow Statement

For and on behalf of the board

Kapil Kedar
Partner
Membership No. 094902
For and on Behalf of
T.R.CHADHA & CO.
Chartered Accountants
Place: New Delhi
Date: 30th June, 2005

H.K.Gupta
Company
Secretary

S P Anya
GM (Finance)

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

Schedules To Accounts

Schedule I	As At 31.03.2005 (Rs.in Lacs)	As At 31.03.2004 (Rs.in Lacs)
Share Capital (Note 19 On schedule XXII)		
Authorised:		
375,000,000 (Previous Year 375,000,000) Equity Shares of Rs.10/- each	37,500.00	37,500.00
27,500,000 (Previous Year 27,500,000) Redeemable Preference Shares of Rs.100/-each	27,500.00	27,500.00
12,500,000 (Previous Year 12,500,000) Zero Percent Optional Convertible Preference Shares of Rs.100/-each	12,500.00	12,500.00
	<u>77,500.00</u>	<u>77,500.00</u>
Issued & Subscribed:		
256,809,159 (Previous Year 256,809,159) Equity Shares of Rs.10/- each fully paid up	25,680.92	25,680.92
24,000,000 (Previous Year 24,000,000) 0.01%(Previous Year 10%) Redeemable Non Cumulative Preference Shares of Rs.100 each, fully paid up, redeemable on the the expiry of 20 years (Previous Year 15 Years) from the date of allotment i.e. 31st October 2001 Refer Note 20 b (ii) in Schedule XXII)	24,000.00	24,000.00
Amount Pending Allotment / Adjustment against Preference Shares (Refer Note 20 b (i) in Schedule XXII)	24,805.58	2,185.95
	<u>74,486.50</u>	<u>51,866.87</u>
Schedule II		
Reserves & Surplus		
Debenture Redemption Reserve *	4,549.94	4,549.94
Share Premium Account	44,252.90	44,252.90
Capital Redemption Reserve	5,860.00	5,860.00
TOTAL	<u>54,662.84</u>	<u>54,662.84</u>

* Note 25 on Schedule XXII

Schedule III

Secured Loans (Note 15 , 19 , 20 and 21 on schedule XXII)

A. Debentures

i) NIL (Previous Year 11,00,000) 19.5% Secured Non-Convertible Redeemable Debentures of Rs.100/- each Fully Paid up Outstanding Amount Rs.NIL each (Previous Year Rs.7.14 each)		78.48
ii) 80,00,000 (Previous Year 80,00,000) - 16% Secured Non-Convertible Redeemable Debentures of Rs.100/- each Fully Paid Up.	8,000.00	8,000.00
iii) 18,75,000(Previous Year 18,75,000) 15.5% Secured Non-Convertible Redeemable Debentures of Rs. 100/- each Fully Paid up.	1,875.00	1,875.00
iv) 3,39,00,000 (Previous Year 3,39,00,000) - 10.50% (Previous Year 14.031%) Secured Non-Convertible Redeemable Debentures of Rs. 100/- each Fully Paid Up.	33,900.00	33,900.00
Interest Accrued And Due	5,997.84	2,791.32

Contd..... on page no. 21

OSWAL CHEMICALS & FERTILIZERS LIMITED
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Contd.... from page no. 20

As At 31.03.2005

As At 31.03.2004

B. Term Loans:	(Rs. in lacs)	(Rs. in lacs)
1) RUPEE TERM LOANS		
- From Financial Institutions	80,932.41	95,431.56
- From Banks	56,885.36	57,865.54
Interest Accrued And Due		
- On Term Loans from financial institution	1,676.94	10.08
- On Term Loans from Banks	182.70	-
C. Working Capital Loans - From Banks	36,703.67	39,190.89
- From Others	2,075.00	2,600.00
Interest Accrued And Due		
- On Working Capital Loan from Banks		18.39
D. Interest Free Loan From The Pradeshiya Industrial & Investment Corporation of Uttar Pradesh Limited (PICUP)	7,274.30	7,274.76
	<u>235,503.22</u>	<u>249,036.02</u>

Notes:

- Debtures and term loans are secured by mortgage on whole of the movable properties save and except book debts of the Company subject to charges created to be created in favour of the Company's bankers for working capital requirements. These are further secured by a joint mortgage created to be created in favour of all the financial institutions and banks by way of deposit of the title deeds with respect to the Company's immovable properties (other than as referred to in note 2 below).
- Term loans aggregating to Rs.2410 lacs (previous year Rs.2410 lacs) from a bank are further secured by mortgage by way of deposit of title deeds of immovable properties at village Balagarh, District Dewas, Madhya Pradesh.
- Debtures subscribed by UTI as mentioned at A (i) and A (iii) above are redeemable at par in 28 quarterly instalments commenced from 15th December, 2003
 - 10.50% Secured Redeemable Non Convertible Debtures of Rs.100 each subscribed by IFCI mentioned at A (iv) above are redeemable in 36 structured instalments commencing from 2007-08
- Working capital loans from banks and others are secured by first charge by way of hypothecation of the whole of the current assets and book debts of the Company. These are further secured by a second charge by way of a joint mortgage in favour of all the lenders for working capital requirements by way of deposit of the title deeds with respect to the Company's immovable properties (other than as referred to in note 2 above).
- The above loans, other than working capital loans from others, are guaranteed by the Managing Director.
- Loan from PICUP is secured by second charge on the movable assets and immovable fixed assets of the Shahjahanpur fertilizer plant of the Company and shall rank pari passu with the charges created for securing working capital facilities.

Schedule IV

(Note 3(i)(a), 3(i)(b), on Schedule XXII)

Fixed Assets

Particulars	Gross Block				Depreciation				Net Block	
	As at 01.04.2004	Additional Adjustment during the year	Sale / Adjustment during the year	As at 31.03.2005	Up to 01.04.2004	For the year	Written Back/ Adjusted during the year	Up to 31.03.2005	As at 31.03.2005	As at 31.03.2004
Land										
-Leasehold*	1,006.78	-	-	1,006.78	79.03	10.20	-	89.23	916.55	926.75
-Freehold	372.57	-	-	372.57	-	-	-	-	372.57	372.57
-Site Development	6,468.73	-	-	6,468.73	229.23	76.41	-	305.64	6,161.09	8,237.50
Buildings										
-Leasehold**	30.68	-	-	30.68	2.15	10.24	-	12.39	18.29	28.53
-Freehold**	20,844.03	10.30	-	20,854.33	5,539.11	1,279.79	16.42	6,802.48	14,061.85	15,304.92
Plant & Machinery	327,077.02	470.59	1,025.80	328,521.81	129,885.94	14,950.14	396.93	144,439.15	182,062.66	197,191.08
Plant & Machinery - held for disposal	9,837.25	-	-	9,837.25	9,191.01	509.31	-	9,700.32	136.93	648.24
Machinery Spares	1,008.95	-	-	1,008.95	304.78	81.42	-	386.20	622.75	704.17
Furniture & Fixture	913.33	3.58	-	916.91	714.46	37.90	-	752.36	164.55	196.87
Vehicles	2,104.77	20.35	5.04	2,119.08	1,659.82	127.25	5.84	1,791.53	327.55	434.95
Total	369,661.11	504.82	1,031.84	368,134.08	147,615.53	17,062.66	418.89	164,279.30	204,854.79	222,045.58
Previous Year	368,218.52	2,692.14	1,249.55	369,661.11	130,248.37	17,586.72	219.56	147,615.53		
Capital Work In Progress***									4,977.06	6,072.66
TOTAL									209,831.87	228,118.23

* Includes land amounting to Rs. 8.07 lacs (Previous Year Rs 8.07 lacs) located at Paradeep and Rs. 0.82 lacs (Previous Year Rs. 0.82 lacs) Located at Mandideep, the Lease Deed in respect of which is yet to be executed and also includes 7 acres land earmarked for construction of a hospital by Aruna Abhey Oswal Trust.

** Includes Railway Skidings, costing Rs.527.84 lacs (Previous Year Rs 527.84 lacs) not located on Company's land.

*** Capital Work in Progress includes Capital Advance Rs. 478.79 Lacs (Previous Year Rs. 491.14 Lacs)

OSWAL CHEMICALS & FERTILIZERS LIMITED

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Schedule V	As At 31.03.2005 (Rs.in lacs)	As At 31.03.2004 (Rs.in lacs)
INVESTMENTS - LONG TERM-NON TRADE (Notes 5 (a) & (b) and 12 on schedule XXII)		
A. Quoted (Long Term)		
In Equity Shares (Fully Paid Up) 152000 (Previous Year 152000) Equity Shares of Rs.10/- Each of Nashville Investment & Trading Co. Ltd.	13.81	13.81
8324099 (Previous Year 8324099) Equity Shares of Rs.10/- Each of Oswal Agro Mills Ltd	4,884.85	4,884.85
B. Government Securities:		
Unquoted: In Govt. Securities 7 Years National Plan Saving Certificate (Lodged with Govt.Authorities)	0.01	0.21
C. Others - Unquoted	9.57	9.57
	<u>4,908.24</u>	<u>4,908.44</u>
Less:Provision For Diminution of Investments	10.01	-
	<u>4,898.23</u>	<u>4,908.44</u>
Aggregate Book Value:		
Quoted Investments	4,888.65	4,898.66
Unquoted Investments	9.58	9.78

Schedule VI

Deferred Tax Asset/(Liability) (Net) (Note 16 on schedule XXII)

Brought Forward	-	101.96
Deferred Tax Assets		
Unabsorbed Depreciation and Carry forward Losses	41,661.30	37,023.81
Other Timing Difference	3,090.76	8,472.45
Total	<u>44,752.06</u>	<u>45,496.26</u>
Grand Total	<u>44,752.06</u>	<u>45,598.22</u>
Deferred Tax Liability		
Fixed Assets	44,576.00	44,952.79
Deferred Revenue Expenditure	176.06	543.47
Total	<u>44,752.06</u>	<u>45,496.26</u>
Deferred Tax Asset (Net)	-	101.96
Less: Deferred Tax Asset written off	-	101.96
Carried Forward	-	-

Schedule VII

INVENTORIES

Raw Materials (including in Transit Rs. 1339.38 Lacs- Previous Year Rs.NIL)	15,868.13	6,068.47
Work In Progress	6,381.08	3,626.42
Finished Goods	25,403.36	23,022.22
Stores & Spares (Including In Transit Rs. NIL Previous Year Rs.386.74 Lacs)	6,705.47	6,944.88
Loose Tools	0.15	0.37
	<u>54,358.19</u>	<u>39,660.34</u>

OSWAL CHEMICALS & FERTILIZERS LIMITED

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Schedule VIII	As At 31.03.2005	As At 31.03.2004
	(Rs.in lacs)	(Rs.in lacs)
Sundry Debtors (Considered Good)		
Over Six Months		
Secured	16.39	13.07
Unsecured	10,026.59	12,548.39
Others		
Secured	34.41	119.67
Unsecured	18,868.78	34,424.18
	<u>28,946.17</u>	<u>47,105.31</u>
Less: Provision for Debts/Claims	25.00	-
	<u>28,921.17</u>	<u>47,105.31</u>

Schedule IX

Cash & Bank Balances

Cash & Cheques In Hand Including Postage Imprest	143.75	293.17
Balances With Scheduled Banks		
Current Accounts	38.06	32.37
Dividend Accounts(Refer schedule XI) *	0.45	41.26
Fixed Deposit**	850.83	2,321.36
Margin Money	1.97	12.50
Employee Security Deposit-Fixed Deposit	34.51	32.72
Employee Security Deposit-Saving Bank Account	3.20	1.07
	<u>1,072.77</u>	<u>2,734.45</u>

** Pledged against Bank Guarantees, Letters of Credit and with Govt. Authorities Rs.850.83 Lacs (Previous Year Rs.2,321.16 Lacs)

Schedule X

Loans & Advances (Notes 13 on schedule XXII)

(Unsecured and Considered Good Unless Otherwise Stated)

Advances Recoverable In Cash or in kind or for value to be received in	3218.12	2611.10
Less: Provision for Doubtful Advances	<u>387.25</u>	<u>367.56</u>
Interest Accrued but not due on Deposits	9.86	58.25
Balance With Central Excise Etc.	15.48	15.29
Security Deposits	454.23	475.79
	<u>3,310.44</u>	<u>2,792.87</u>

Schedule XI

Current Liabilities (Note 7 & 9 on schedule XXII)

Sundry Creditors

i) Total outstanding dues of Small Scale Industrial Undertakings	0.39	1.68
ii) Total outstanding dues of Creditors Other Than Small Scale Industrial Undertakings	14,035.94	15,548.07
Deferred Income	2,926.61	2,628.81
Advances from Customers	2,005.09	1,539.49
Other Liabilities	3,098.16	2,759.44
Investors Education & Protection Fund (Appropriate amount shall be transferred to "Investor Education and Protection Fund" if and when due)		
- Unpaid Dividends (refer schedule IX)*	0.14	41.50
- Unpaid Matured Debenture & Interest Due thereon	13.15	13.29
Interest accrued but not due	3,680.44	4,377.13
	<u>25,759.92</u>	<u>26,909.41</u>

* Under reconciliation

Schedule XII	As At 31.03.2005	As At 31.03.2004
	(Rs.in lacs)	(Rs.in lacs)
Provisions		
Gratuity	268.98	266.23
Leave With Wages	112.66	123.48
Wealth Tax	9.45	17.97
Current Tax (Net of Advance Tax Rs.762.85 Lacs --Previous Year Rs.654.84 Lacs)	211.67	319.68
	602.76	727.36

Schedule XIII	For The Year	For The Year
	Ended on 31.03.2005	Ended on 31.3.2004
Other income		
Profit on Sale of Assets	0.37	7.62
Interest on Fixed Deposits - Gross (TDS Rs.22.72 Lacs --Previous Year Rs.30.75 Lacs)	139.07	404.10
Foreign Exchange Fluctuation (Net)	60.93	352.98
Miscellaneous Income	323.97	756.08
Provision no longer required written back	28.80	688.81
	553.14	2,189.59

Schedule XIV		
Raw Material Consumption		
Opening Stock	6,066.47	3,965.01
Add: Purchases	91,920.78	47,995.66
	97,987.25	51,960.67
Less: Closing Stock	14,561.40	6,066.47
	83,425.85	45,894.20

Schedule XV		
Other Manufacturing Expenses		
Stores Consumed	5,406.84	5,272.20
Packing Material Consumed	3,388.67	2,565.43
Power & Fuel	32,765.78	25,066.27
Others	883.14	516.96
Repairs - Building	20.47	27.89
- Machinery	694.88	606.34
- Others	45.81	112.48
	43,205.59	34,167.57

Schedule XVI		
Employees' Cost (Note 18 on schedule XXII)		
Salaries, Wages, Bonus and other Allowances	2,649.08	2,721.13
Contribution to Provident Fund & Employees State Insurance	151.57	144.81
Welfare Expenses	148.16	151.53
	2,948.81	3,017.47

Schedule XVII		
Selling Expenses		
Freight ,Handling and selling Expenses	12,808.35	11,692.94
Rebate & Discounts	287.24	471.83
	13,095.59	12,164.77

Schedule XVIII		
Finance Expenses		
Interest - On Fixed Loans	15,152.37	17,910.45
- On Debentures	7,359.37	7,392.74
- On Others	3,682.38	4,627.68
Bank Charges	853.49	342.76
	27,047.61	30,273.63

Schedule XIX	For The Year Ended on 31.03.2005	For The Year Ended on 31.3.2004
	(Rs.in lacs)	(Rs.in lacs)
Administration Expenses (Note 18 on schedule XXII)		
Rent	99.34	88.72
Rates & Taxes	104.48	88.40
Insurance	794.96	775.29
Loss on Sale / Writeoff of Assets	793.58	842.09
Other General Expenses	1,465.13	1,617.39
Provision for Obsolete Store	178.48	-
Bad Debt/Advances Written Off/Provided	25.00	134.38
Miscellaneous Expenditure Written off	523.05	523.05
	<u>3,984.02</u>	<u>4,069.32</u>

Schedule XX

**Adjustment due to(Increase)/Decrease in
Stock of Finished Goods and Work In Progress**

Opening Stock		
Finished Goods	23,022.22	28,462.88
Work In Progress	3,626.42	1,653.26
	<u>26,648.64</u>	<u>30,116.14</u>
Less : Closing Stock		
Finished Goods	25,403.36	23,022.22
Work In Progress	6,381.07	3,626.42
	<u>31,784.43</u>	<u>26,648.64</u>
	<u>(5,135.79)</u>	<u>3,467.50</u>

Schedule XXI

Prior Period Adjustments

Other General Expenses	317.15	344.34
Miscellaneous Income	(83.69)	(1.16)
Rates & Taxes	-	15.34
Depreciation	308.31	41.71
Depreciation written Back	(16.42)	-
Interest	-	309.20
	<u>525.35</u>	<u>709.43</u>

SCHEDULE XXII

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS

1) Significant Accounting Policies :

a. Accounting Convention

The financial statements are prepared under historical cost convention on accrual basis in accordance with the mandatory accounting standards read with notes and relevant presentational requirements of the Companies Act, 1956.

b. Fixed Assets and Depreciation

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes all incidental expenditure net of MODVAT/CENVAT wherever applicable.

The carrying amount of assets is reviewed at each balance sheet date to determine if there is any indication of impairment thereof based on external/ internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the 'net selling price' of assets and their 'value in use'.

Depreciation

The Company provides for depreciation as follows:

i) Urea Division

Urea and Power Generation plants: Based on technical evaluation of the useful life, the Company is charging depreciation at a rate of 25% which is higher than that provided in Schedule XIV to the Companies Act, 1956 on Written Down Value (WDV) of the assets. The other assets are depreciated on WDV basis at the rates provided in Schedule XIV to the Companies Act, 1956.

ii) LDPE division

The assets other than plant and machinery (valued at lower of net realisable value basis or cost) are depreciated on WDV basis at the rates provided in Schedule XIV to the Companies Act, 1956.

iii) Di-Ammonium Phosphate (DAP) Division

Process Plant & Machinery on Straight Line Method (SLM) basis at the rates provided in Schedule XIV to the Companies Act, 1956 applicable to continuous process plant as per technical evaluation.

Marine material handling equipment installed on the lease hold land is amortized over the period of lease.

Pipes & fittings, electrical installations, storage tanks are depreciated on SLM basis at the rates provided in Schedule XIV to the Companies Act, 1956 applicable to general plant & machinery other than continuous process plant.

Railway siding at 20% per annum.

The other assets are depreciated on WDV basis at the rates provided in Schedule XIV to the Companies Act, 1956.

iv) **Other Divisions**

On SLM basis at the rates provided in Schedule XIV to the Companies Act, 1956.

v) **Leasehold Premium/Improvement**

Leasehold premium/improvement is being amortized/depreciated over the period of lease.

vi) **Capital Spares**

Capital spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be non-regular are capitalised and depreciated over the balance useful lives of the related plant and machinery.

c. **Investments**

Long term investments are stated at cost less provision, if any, for diminution in value of such investments other than temporary. Current investments are stated at lower of cost and fair value.

d. **Inventories**

Raw materials, components, finished goods, work in progress and stores & spares are valued at cost or net realisable value, whichever is lower. Realisable value of Urea and DAP is inclusive of the Retention Price Concession as notified by the Government of India. The basis of determining cost for various categories of inventories is as follows:

i) Stores and Spares, Raw materials and Packing materials	Weighted average cost
ii) Work in Progress and Finished Goods	Material cost plus appropriate share of labour and production overheads

e. **Revenue Recognition**

Sales are recognised upon the transfer of significant risks and rewards of ownership to the customers. Concession on Urea under Group Pricing Scheme is recognised as per the price notified by Government of India and is subject to adjustment on finalization of escalation claim on inputs as and when notified. Equated freight on urea is recognised as income on its accrual. Concession on DAP/NP is recognised at rates notified by Govt. of India from time to time.

Income from investments and interest are accounted for on accrual basis. Income/loss from share in Association of Persons (AOP) is accounted for on receipt of intimation from respective AOP.

f. **Foreign Exchange Transactions**

Transactions in foreign currency are recorded at the exchange rates prevailing on the dates of the transactions except for goods in transit and related liabilities, which are stated at the exchange rate prevailing at the year end. Liability in respect of imported materials remaining unpaid are stated at the exchange rates prevailing at the year end.

In case of Forward Exchange Contracts, the difference between the forward rate and the exchange rate at the date of transaction is recognized as currency fluctuation in the Profit & Loss Account over the life of the contract.

g. **Retirements Benefits**

Contribution to provident fund scheme is charged to the profit and loss account as incurred. Liability for gratuity and leave encashment is provided on the basis of actuarial valuation carried out at the year end.

h. **Borrowing Costs**

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset upto the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which they are incurred.

i. **Taxation**

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to considerations of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

j. **Miscellaneous Expenditure-Deferred Revenue Expenditure**

Preoperative Expenditure incurred by the Company upto the date of commencement of commercial operations not directly attributable to fixed assets is treated as Deferred Revenue Expenditure to be written off over a period of three to five years.

k. **Provision**

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle such obligation, in respect of which a reliable estimate can be made.

l. **Contingent Liabilities**

Contingent liabilities are not provided for in the accounts and are separately disclosed in the "Notes to Accounts".

2) Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 520.73 lacs (Previous Year Rs.725.25 lacs).

		Year ended March 31, 2005	Year ended March 31, 2004
3)	Contingent Liabilities not provided for in respect of		
(i)	a) Land reference cases filed by land owners for additional compensation (excluding interest)	84.80	84.80
	b) Disputed cost of motor vehicle purchased	69.00	69.00
	c) Electricity duty on captive generation of power at Paradeep (pending exemption under Industrial Policy Resolution for want of production certificate to be issued by Department of Industries)	1906.00	921.86
	d) Demands/show cause notices received from Sales Tax department.	808.69	369.65
	e) Demand received for water charges disputed by the company.	553.44	386.52
	f) Demand received for Entry Tax in Orissa	1048.09	527.39
	g) Demand for minimum guaranteed wharfage, disputed by the Company.	1206.18	1018.46
	h) Custom Duty on Raw Material imported for DAP Unit is subject to final assessment by the Custom Authorities.	Amount not quantifiable	Amount not quantifiable
	i) Import Pass Fee for import of industrial alcohol in the State of West Bengal	42.85	42.85
	j) Other claims against the Company not acknowledged as debts	1197.68	1458.54
	k) Guarantees issued by banks	1.25	0.00

- (i) With a view to encourage setting up of fertilizer plants in the country, the Government of India has been following a policy of granting the facility of duty free import of plant and machinery required for setting up the fertilizer plants. The Company has imported certain equipment for setting up fertilizer plants at Sheikhanpur and Paradeep and has furnished undertakings to customs authorities at the time of clearance of consignments. The liability, if any, would be ascertainable on final reconciliation by customs authorities.
- 4) The Income Tax Department has raised gross demands of Rs. 2769.31 lacs for the assessment years 1991-92, 1995-96, 1998-99 to 2001-02, against which the provision of Rs. 1693.80 lacs has been made as at 31st March, 2005. Provision for amount of shortfall is not considered necessary, since after 31st March, 2005, relief amounting to Rs. 1617.03 lacs has been granted in certain cases on the basis of appeals decided in favour of the company.
- 5) (a) Investments (Schedule VI) include equity shares in Oswal Agro Mills Limited (OAML) amounting to Rs. 4,884.85 lacs. The shares of OAML were not quoted during the year and market value of these investments as at March 31, 2004 was Rs. 120.78 lacs. However, the market value of the property investments held by OAML is significantly higher than their cost and therefore the break up value of these equity shares is higher than the cost of acquisition of such shares. The diminution in value of this investment is considered temporary and accordingly no provision is considered necessary in this regard.
- (b) The shares of OAML and Nashville Investment and Trading Co. Ltd. were not quoted during the year and hence market value of quoted investments at the close of the year cannot be ascertained (Previous Year Rs. 124.50 lacs).
- 6) A downward revision in retention price for 7th and 8th pricing periods ended on March 31, 2003 was notified by the Government of India (GOI) vide notification dated September 13, 2002 and April 10, 2003 due to implementation of policy parameters resulting in a refund of an estimated amount of Rs. 21,768.92 lacs (Previous Year Rs. 21,768.92 lacs). The Company has earlier filed a writ petition against the GOI before the Hon'ble Delhi High Court contesting the basis adopted for calculation of retention price and obtained a stay against the recovery from the Hon'ble Delhi High Court and has accordingly not provided for the aforesaid refund. The Company has been legally advised that there will not be any material liability on the Company.
- 7) As per information available with the Company, total outstanding dues to Small Scale Industrial Undertakings (Schedule XI) include M/s. H. Guru Industries, whose dues are outstanding for more than 30 days.

8) Sales include :		(Rs. in Lacs)
	Year ended March 31, 2005	Year ended March 31, 2004

Concession on Urea (including arrears for Earlier Years Rs. 634.48 lac - Previous Year Rs. 2934.17 lacs).	27438.25	25420.04
Equated Freight on Urea (including arrears for Previous Years Rs. 337.63 lac - Previous Year Rs. NIL).	4174.99	3663.52
Concession on DAP/NP	20632.94	14267.72

- 9) a) The balances of accounts of certain suppliers and debtors of DAP division are subject to confirmation/reconciliation. Adjustments, if any, arising from these exercises will be accounted for on completion of the reconciliation.
- b) A reconciliation exercise is being carried out for the interest payable to erstwhile debenture holders and bondholders. Pending reconciliation, the company has paid Rs. 0.15 lacs (previous year Rs. 250.07 lacs) during the year to certain debenture holders based on claims received from them.
- c) The company has filed legal cases against debtors of Rs. 175.27 lacs for recovery of outstanding amounts. No provision thereagainst has been considered necessary, since in the opinion of the management, these debts are recoverable.
- 10) Pre-operative expenditure incurred on DAP Division and not attributable to the construction activity is being written off over a period of 5 years from the date of commercial production i.e. 1st April, 2001 as per details given below:

	Year ended March 31, 2005	Year ended March 31, 2004
Balance brought forward	1046.11	1569.16
Less : Written off during the year	523.05	523.05
Total	523.06	1046.11

11) Directors' Remuneration:		
Salary & allowances	54.00	54.00
Contribution to Provident Fund	6.48	6.48
Perquisites	47.63	52.23
Sitting Fees	2.80	2.80
Total	110.91	115.51

Notes: (a) Provisions for gratuity and leave encashment have been made on a group basis and separate figures applicable to an individual employee are not available and therefore have not been considered in the above figures.

(b) The above remuneration other than sitting fee is subject to approval of Central Government.

- 12) The Company is a member of (i) Shenjeriya Syndicate, Bombay; (ii) Sagar Corporation, Bombay; (iii) Universal Associates, Bombay being Associations of Persons (AOPs) and is entitled to 86%, 96% and 91% share of profit/loss respectively. The total amount invested in these AOPs is Rs. 9.57 lacs (Previous Year Rs. 9.57 lacs). The share of loss from these AOPs for the year ended 31.3.2005 amounting to Rs. 0.57 lacs (Previous Year Profit Rs. 0.65 lacs) has been accounted for in the Company's books.

	As at March 31, 2005	(Rs. in Lacs) As at March 31, 2004
13) Loan Advances as given in Schedule X include:		
Maximum Amount due from Directors and Secretary at any time during the year	0.78	1.55
14) Auditors' Remuneration:		
Audit Fee	20.00	21.00
Certification work	3.00	6.00
Other Services	3.00	9.00
Out of Pocket Expenses (including service tax)	6.71	6.97

- 15) The amount of U.P. Trade Tax on Urea collected during the period 1.3.2004 to 28.2.2005 amounting to Rs. 1250.03 lacs (Previous Year Rs. 1180.18 lacs) has been converted into Interest Free Loan as per Agreement executed with The Pradashya Industrial & Investment Corporation of Uttar Pradesh Limited (PICUP). The said loan is repayable on the expiry of five years from the year of collection. The U.P. Trade Tax collected in March, 2005 amounting to Rs. 12.44 lacs (Previous Year Rs. 17.76 lacs), pending conversion into Interest Free Loan is included under the head "Current Liabilities".

- 16) The Company has recognised Deferred Tax Asset of Rs. 44752.06 lacs, which is only to the extent of Deferred Tax liabilities. The deferred tax asset on other accumulated losses and unabsorbed depreciation has not been recognized in view of prudence due to the fact that as at 31.3.2005 virtual certainty of availability of sufficient future taxable income is not there.

- 17) The Company and other consumers of natural gas on the HBJ pipeline have been informed by Gas Authority of India Ltd. that prices of natural gas being supplied to the Company may be revised w.e.f. 1.4.2000. There is also a possibility of levy of excise duty and central sales tax on natural gas. The quantum of these liabilities is unascertainable and additional costs, if any, are reimbursable to the Company by the Government of India under retention price scheme for Urea.

OSWAL CHEMICALS & FERTILIZERS LIMITED



- 18) Employee cost (Schedule XVI) and Administrative expenses (Schedule XIX) are net of Rs. 125.24 Lacs (Previous Year Rs.249.43 lacs) being estimated amount of expenses incurred on behalf of a group company which have subsequently been reimbursed to the Company.
- 19) Financial Institutions have an option to convert a part of their term loans/debtures/preference shares (yet to be issued as given in notes 20(a)(i) & 20(b)(i) below) amounting to Rs. 30225.70 lacs (Previous Year Rs. 34711.41 lacs) into equity shares of the Company at any time during the currency of loan. Additionally, financial institutions also have a right to convert their loans/debtures/preference shares (yet to be issued as given in note 20(b)(i) below) amounting to Rs. 134720.40 lacs (Previous Year: Rs. 126084.36 lacs) into equity shares in the event of default as stipulated in the respective loan agreements.
- 20) a. In August 2003, a Debt Restructuring Scheme for secured loans, of DAP Division of the Company was approved by the Corporate Debt Restructuring Call and all lenders, other than Unit Trust of India, subject to compliance of certain terms and conditions which inter-alia include the following:
- Issue of Zero Percent Optionally Convertible Preference Shares (OCPS) as compensation for the interest reset (for the entire tenure of terms loans by the Financial Institutions/ Banks estimated to be Rs. 10,651 lacs). Pending confirmation of the amount from respective lenders, the Company has provided for Rs. 4304.78 lacs (previous year: Rs. 2169 lacs), being the net present value as on 1st April, 2003 of the amount of interest reduction for the year ending 31st March, 2004 and 31st March, 2005 required to be compensated in the above manner. Pending issue of Preference Shares, this amount has been included under 'Amount pending allotment/ adjustment against preference shares' (Schedule II).
 - The interest funded by the lenders in terms of Debt Restructuring Scheme has been converted into Funded Interest Term Loan (FITL). A sum of Rs. 7622.69 lacs (Previous year: Rs. 12569.99 lacs) converted into FITL during the year is pending confirmation/reconciliation.
- b) In April 2005, the CDR Call has approved certain modifications to the existing Debt Restructuring Scheme. These modifications provide for among other reliefs, reduction in rate of interest on loans, deferral of payment of instalment etc. The accounts for the year 2004-05 have been drawn on the basis of these modifications although specific approvals from some lenders are yet to be received. In terms of the said modifications:
- 50% of Funded Interest Term Loan (FITL) aggregating Rs. 228 crores is to be converted into Optionally Convertible Redeemable Preference Shares (OCRRPS) with a coupon rate of 0.01 % p.a. Pending reconciliation of amount of FITL to be converted into OCRRPS, 50% of the FITL balance as on 31.03.2006 amounting to Rs. 20500.80 lacs has been included under 'Amount pending allotment/ adjustment against preference shares' (Schedule I)
 - The coupon rate of 10%, 2,40,00,000 Redeemable Non Cumulative Preference Shares of Rs 100 each, has been brought down from 10% to 0.01% w.e.f. 1.4.2004 and the redemption period has been extended from 15 years to 20 years from the date of issue i.e. 31st October, 2001. However, these changes are subject to approval of the shareholders in the ensuing Annual General Meeting.
 - Interest during the year has been recognized as per modification to CDR package, which has resulted in interest provision for the year being lower by Rs. 7072.23 lacs.
- 21) Unit Trust of India (UTI) is not a participant in the Debt Restructuring Scheme and has filed an application for recovery in Debt Recovery Tribunal (DRT) against the company. The company has filed a petition u/s 391 of the Companies Act, 1956 before Hon'ble Allahabad High Court. Via one of its orders Hon'ble Allahabad High Court, has restrained the DRT from passing any order in respect of the interim/final relief prayed for by UTI. The said restraint is still effective. Redemption of debtures of Rs. 2115.23 lacs (Previous Year Rs. 705.08 lacs) and interest thereon amounting to Rs. 4996.65 lacs (Previous Year Rs. 2791.32 lacs) is due as on 31.3.2005.
- 22) Earning Per Share (EPS) – Numerators and Denominators used to calculate basic and diluted earnings per share:

	Year ended March 31, 2005	Year ended March 31, 2004
Loss attributable to Equity Shareholders (Rs.) (A)	3,12,82,75,966	2,83,36,92,812
Basic/Weighted average of Equity Shares outstanding during the year (B)	25,69,08,158	25,69,08,158
Nominal Value of Equity Shares (Rs.)	10	10
Basic/Diluted Earning per share (Rs.) (A)/(B)	(12.17)	(11.03)

Note: None of the potential equity shares have dilutive effect in view of loss during the current year.

23) Related Party Disclosures

(A) Related parties and transactions with them as identified by the management are given below:

- Major Shareholders
Mr. Abhay Oswal along with relatives and other associates holds 54.21% shares of the Company.
 - Key Management Personnel and their relatives:
Mr. Anil Bhatia
Mr. Ranjan Sharma
Mrs. Poonam Sharma (Wife of Mr. Ranjan Sharma)
Mrs. Pratibha Bhatia (Wife of Mr. Anil Bhatia)
Mr. Atul Bhatia (Son of Mr. Anil Bhatia)
 - Enterprises over which Major Shareholders, Key Management Personnel and their relatives have significant influence:-
Oswal Agro Mills Limited, Star Advertising Pvt. Limited and Aruna Abhay Oswal Trust, Lucky Star Entertainment Limited, Atul Properties Limited.
 - Enterprises under the control of the Company
Shanegolia Syndicate (Association of Persons)
Sagar Corporation (Association of Persons)
Universal Associates (Association of Persons)
- (B) Transactions with Related Parties in the ordinary course of business.

Type of Relationship	Nature of Transactions	Volume of Transactions	
		2004-05	Rs./Lakhs 2003-04
a) Major Shareholders	Managerial Remuneration	37.57	35.28
b) Key Management Personnel & their relatives	Managerial Remuneration	70.54	77.45
	Rent paid	19.00	10.80
c) Enterprises over which major shareholders and key Management Personnel have significant influence	Rent paid	4.80	12.00
	Services availed	97.83	16.90
	Payments made by Company on their behalf	186.40	118.71
	Their share of common expenses	125.24	249.45
	Funds Received by Company	40.00	313.59
	Payments received by Company on their behalf	0.00	0.58
	Payments made on behalf of Company	0.14	11.68
	Payments received by others on behalf of Company	38.00	0.00
d) Enterprises under the control of the Company	Profit/(Loss) of AOPs	(0.57)	0.65
e) Enterprises over which major shareholders have significant influence	- Investments	4894.85	4894.85
	- Receivable	0.00	36.54
	- Payable	4.47	0.09
Enterprises under the control of the Company	- Investments	9.57	9.57

OSWAL CHEMICALS & FERTILIZERS LIMITED



- 24) The Company is operating mainly under a single segment i.e. "Fertilizers", comprising of Urea and Di-ammonium phosphate. Although the Company has certain other units which are closed, the value of assets and liabilities of these units is not significant and therefore there is no reportable segment in terms of the provisions of AS 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.
- 25) No amount has been transferred to Debenture Redemption Reserve in view of losses during the year.
- 26) Although the DAP plant has been incurring cash losses, remedial steps have been taken by the management by way of:
- implementing the modifications/ remedial measures needed to achieve design capacity of the individual plants based on recommendations of the study carried out by Projects & Development India Ltd. (PDIL) on the capacity utilization of the DAP complex,
 - increasing the market share,
 - restructuring the long term loans and
 - reducing the interest cost.
- Accordingly, the accounts have been prepared on a going concern basis.
- 27) Based on the estimated cash flow projections on management's best estimate of the set of economic conditions that will exist over the remaining useful life of the assets submitted and approved by Financial Institutions / Banks, the value in use of fixed assets of DAP plant is higher than its carrying value as at 31.3.2005 and hence no provision for impairment is deemed necessary as at 31.3.2005.
- 28) Previous year's figures have been re-grouped/re-arranged wherever necessary to conform to the current year's presentation.
- 29) Additional information required under para 3 & 4 of Part II of Schedule VI of the Companies Act, 1956 is as follows:-

A PARTICULARS OF LICENCED/REGISTERED/INSTALLED ANNUAL CAPACITIES/PRODUCTION

Class of Goods	Unit	Licensed/Registered Capacity		Installed Capacity #		Production	
		As At	As At	As At	As At	For the year ended	For the year ended
		31.03.2005	31.03.2004	31.03.2005	31.03.2004	31.03.2005	31.03.2004
AMMONIA	MT	1350/Day	1350/Day	1350/Day	1350/Day	496662.400	494506.800
UREA	MT	2200/Day	2200/Day	2200/Day	2200/Day	861081.550	857802.150
DAP	MT	1500000/Annum	1500000/Annum	1500000/Annum	1500000/Annum	578910.495	283624.205
NP	MT	420000/Annum	420000/Annum	420000/Annum	420000/Annum	27141.260	47536.700
LOW DENSITY POLYETHYLENE	MT	15367	15367	13000	13000	-	-
SOLVENT EXTRACTION PLANT	MT	90000	90000	90000	90000	-	-

The installed capacities have been taken as certified by the Technical heads of the respective Plants and not verified by the Auditors, being a technical matter.

B PARTICULARS OF SALE \$

Class of Goods	Unit	For the year ended 31.03.2005		For the year ended 31.03.2004	
		Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)
UREA	MT	847227.490	71009.58	800723.580	70987.99
DAP	MT	506480.800	81723.06	381746.010	47023.32
NP	MT	13157.100	1293.46	31110.200	2892.48
GYPSSUM	MT	19789.080	34.51	5763.050	10.57
			154068.61		120984.36

\$ Sales excludes wastages and losses.

C OPENING AND CLOSING STOCKS OF GOODS PRODUCED

Class of Goods	Unit	As at 31.03.2005		As at 31.03.2004		As at 31.03.2003	
		Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)
UREA	MT	59019.100	5912.74	87366.150	4479.79	131970.80	5992.80
DAP	MT	121348.692	16645.80	139811.156	17112.42	236256.65	22503.08
NP	MT	30449.650	2645.02	16447.550	1430.01	-	-
			25403.56		23022.22		29492.88

D RAW MATERIAL CONSUMED

Class of Goods	Unit	For the year ended 31.03.2005		For the year ended 31.03.2004	
		Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)
NATURAL GAS	Million SM3	348.97	16780.86	342.24	14082.78
ROCK PHOSPHATE	MT	1132456.92	30268.96	577244.59	13619.74
AMMONIA	MT	156172.64	21807.88	81984.12	11352.67
SULPHUR	MT	341086.53	14336.20	172026.77	6749.67
SULPHURIC ACID	MT	-	0.00	-	-
OTHERS		-	232.97	-	69.34
			83425.86		45894.20

E. OTHER ADDITIONAL INFORMATION

	For the year ended 31.03.2005 Value (Rs. In lacs)	For the year ended 31.03.2004 Value (Rs. In lacs)
(a) CIF VALUE OF IMPORT		
RAW MATERIAL	65296.48	31163.86
COMPONENTS & SPARE PARTS	623.03	994.88
CAPITAL GOODS	368.29	717.50
	<u>70276.78</u>	<u>32876.27</u>
(b) EXPENDITURE IN FOREIGN CURRENCY		
ON TECHNICAL KNOWHOW	58.60	372.79
NAPHTHA	0.00	6754.28
INTEREST	2.93	19.40
OTHER MATTERS	136.79	102.22
	<u>198.32</u>	<u>7248.78</u>

F. VALUE OF IMPORTED/INDIGENOUS RAW MATERIAL, SPARE PARTS, COMPONENTS AND STORES CONSUMED

CLASS OF GOODS	For the Year ended 31.03.2005		For the Year ended 31.03.2004	
	Value (Rs. In lacs)	%	Value (Rs. In lacs)	%
RAW MATERIALS				
INDIGENOUS	17013.62	20.39	14172.13	30.88
IMPORTED	66412.22	79.61	31722.07	69.12
	<u>83425.84</u>	<u>100.00</u>	<u>45894.20</u>	<u>100.00</u>
STORES, SPARE PARTS & COMPONENTS				
INDIGENOUS	4241.00	78.44	4376.52	80.05
IMPORTED	1105.84	21.56	1029.63	19.95
	<u>5406.84</u>	<u>100.00</u>	<u>5406.15</u>	<u>100.00</u>

Signature to Schedules I to XXII

H.K.Gupta
Company
SecretaryS P Arya
GM (Finance)

For and on behalf of the board

Anil Bhalla
DirectorRanjan Sharma
Finance
DirectorAbhey Oswal
Chairman & Managing
DirectorPlace: New Delhi
Date: 30th June, 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF THE SCHEDULE VI TO THE COMPANIES ACT, 1956

I. Registration Details

Registration No. 0 1 4 9 2 8

State Code 2 0

Balance Sheet Date 3 1 0 3 2 0 0 5
Date Month Year

II. Capital Raised during the Year (Amount in Rs. thousands)

Public Issue
- - N I L - -Right Issue
- - N I L - -Bonus Issue
- - N I L - -Private Placement
- - N I L - -

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

Total Liabilities
3 0 2 9 1 5 7 3Total Assets
3 0 2 9 1 5 7 3

Sources of Funds

Paid up Capital
7 4 4 8 6 5 0Reserves & Surplus
(-) 3 3 4 3 6 6 7Secured Loans
2 3 5 5 0 3 2 2

Application of Funds

Net Fixed Assets
2 0 9 8 3 1 8 7Investments
4 8 9 8 2 3Net Current Assets
6 1 2 9 9 8 9Misc. Expenditure
5 2 3 0 6

IV. Performance of the Company (Amount in Rs. thousands)

Turnover
1 5 4 6 0 8 6 5Total Expenditure
1 8 5 8 7 1 4 1Profit Before Tax
(-) 3 1 2 6 2 7 6Profit After Tax
(-) 3 1 2 6 2 7 6Earning per Share (Rs.)
(-) 1 2 - 1 7Dividend Rate%
- - N I L - -

V. Generic Names of Three Principal Products / Services of the Company

Item Code No. (ITC Code)
0 0 3 1 0 2 1 0 0 0
0 0 2 8 1 4 1 0 0 0
0 0 3 1 0 5 3 0 0 0
0 0 3 1 0 5 4 0 0 0Product Description
U R E A
A M M O N I A
D A P
N P

REPORT OF THE AUDITORS TO THE BOARD OF THE DIRECTORS OF OSWAL CHEMICALS & FERTILIZERS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF OSWAL CHEMICALS & FERTILIZERS LIMITED AND ITS SUBSIDIARIES

1. We have audited the attached Consolidated Balance Sheet of Oswal Chemicals & Fertilizers Limited ('The Company') and its subsidiaries as at March 31, 2005, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date (hereinafter referred to as 'Consolidated Financial Statements'), which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these consolidated 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs. 97.68 lacs (Previous year Rs. 105.79 lacs) as at 31st March, 2005 and total revenues of Rs. 1.48 lacs (previous year Rs. 2.65 lacs) for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors. However, appropriate material adjustments for the current year, to the extent ascertainable have been made to financial statements of the subsidiaries to bring them inline with the accounting

policies followed by the parent company.

4. We report that the Consolidated Financial Statements have been prepared by the company in accordance with the Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of separate audit Financial Statements of Oswal Chemicals & Fertilizers Limited and its subsidiaries, included in the Consolidated Financial Statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited Financial Statements of Oswal Chemicals & Fertilizers Limited and its subsidiaries, in our opinion, the Consolidated Financial Statements together with the notes thereon and attached thereto read with note 25 on schedule XXII regarding the preparation of these accounts on a going concern basis, and subject to our comments in paragraphs 5.1 to 5.6 below, give respectively, 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 Oswal Chemicals & Fertilizers Limited and its subsidiaries as at March 31, 2005;
 - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Oswal Chemicals & Fertilizers Limited and its subsidiaries for the year ended on that date; and
 - (c) in the case of Consolidated Cash Flow Statement, of the Consolidated cash flows of Oswal Chemicals & Fertilizers Limited and its subsidiaries for the year ended on that date.
- 5.1 Note no. 9 (c) on schedule XXII regarding non provision of debtors amounting to Rs. 175.27 lacs against whom legal cases have been filed by the company for the reasons stated therein.
- 5.2 Note 9 (a) & (b) on schedule XXII regarding non-reconciliation of accounts of certain suppliers of DAP division, and interest payable to erstwhile debenture bond holders and payments made to them based on their claims.
- 5.3 Note 7 on schedule XXII regarding non-provision of subsidy refund due to downward revision of retention price

contested by the Company, the recovery of which has been stayed by the Hon'ble Delhi High Court, estimated to be Rs. 21,768.92 lacs, the ultimate liability of which could not be readily ascertained.

- 5.4 Note 19 of schedule XXII regarding issuance of preference shares as at 31.3.2005 for Rs. 24805.58 lacs (Previous Year Rs. 2185.95 lacs) and conversion of interest into funded interest term loan amounting to Rs. 7622.89 lacs during the year, Rs. 21166.54 lacs as at 31.03.2005 (previous Year Rs. 12569.99 lacs) pursuant to a Debt Restructuring Scheme for secured loans of DAP division as approved by the Corporate Debt Restructuring Cell being subject to reconciliation/confirmation by the lenders. Further accounting of modifications of CDR package sanctioned in April, 2005 relating to relief, reduction in rate of interest resulting in lower interest provision during the year of Rs. 7072.23 lacs, deferment of payment of instalment etc. in the accounts as at 31.03.2005 is pending approval from respective authorities of the lenders.
- 5.5 Note no. 20 regarding non redemption of debentures of Unit Trust of India on due dates of Rs. 2115.23 lacs and non payment of interest thereon amounting to Rs. 4998.65 lacs.
- 5.6 Note 11(b) of Schedule XXII regarding managerial remuneration amounting to Rs. 108.11 lacs paid to directors, being subject to approval of Central Government.

We further report that without considering our comments in paragraphs 5.2 to 5.5 above, the impact of which we are unable to quantify and after considering adjustments arising on account of our comments in paragraphs 5.1 above, to the extent quantifiable, would result in the loss before tax of Rs 31418.87 lacs as against Rs. 31243.60 lacs as shown in the Profit and Loss Account. Consequently, net current assets would change to Rs. 61229.62 lacs as against Rs. 61404.89 lacs and debit balance in profit and loss account would change to Rs. 88274.78 lacs as against Rs. 88099.51 lacs as shown in the Balance Sheet.

For T. R. Chadha & Co.
Chartered Accountants

Place: New Delhi (Kapil Keder)
Dated: 27th July, 2005 Partner
M. No.- 094902

Consolidated Balance Sheet As At 31st March, 2005

Particulars	Schedule No.	As At 31.03.2005 (Rs.in Lacs)	As At 31.03.2004 (Rs.in Lacs)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	I	74,486.50	51,866.83
Reserves & Surplus	II	54,662.84	54,662.84
		<u>129,149.34</u>	<u>106,529.67</u>
Minority Interest		2.86	1.05
Loan Funds			
Secured Loans	III	235,503.22	249,036.02
Unsecured Loan-Long Term From Others		92.57	93.15
		<u>235,595.79</u>	<u>249,129.17</u>
		<u>384,747.99</u>	<u>355,659.89</u>
Application Of Funds			
Fixed Assets			
Gross Block	IV	369,134.16	369,661.18
Less: Depreciation		164,279.37	147,615.53
Net Block		204,854.79	222,045.65
Capital Work In Progress		4,977.08	6,072.65
		<u>209,831.87</u>	<u>228,118.30</u>
Investments	V	4,888.66	4,970.67
Deferred Tax Asset (net) (Note 15 on Schedule XXII)	VI	-	-
Current Assets, Loans & Advances			
Inventories	VII	54,358.19	39,661.82
Sundry Debtors	VIII	29,013.73	47,105.36
Cash & Bank Balances	IX	1,077.89	2,740.20
Loans & Advances	X	3,317.94	2,800.37
		<u>87,767.75</u>	<u>92,307.75</u>
Less: Current Liabilities & Provisions			
Current Liabilities	XI	25,759.99	26,909.57
Provisions	XII	602.67	727.47
		<u>26,362.66</u>	<u>27,637.04</u>
Net Current Assets		61,404.89	64,670.71
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Deferred Revenue Expenditure (Note 10 on schedule XXII)		523.06	1,046.11
Profit & Loss Account		88,099.51	56,854.10
		<u>364,747.99</u>	<u>355,659.89</u>
Significant Accounting Policies and Notes to the Consolidated Accounts	XXII		

This is the Consolidated Balance Sheet referred to in our report of even date

The schedules referred to above form an integral Part of the Consolidated Balance Sheet

For and on behalf of the board

Kapil Kedar
Partner
Membership No.094902
For and on Behalf of
T.R.CHADHA & CO.
Chartered Accountants

H.K.Gupta
Company
Secretary

S P Arya
GM (Finance)

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

Place: New Delhi
Date: 27th July,2005

Consolidated Profit & Loss Account For The Year Ended 31st March, 2005

PARTICULARS	Schedule No.	For The Year	For The Year
		Ended on 31.03.2005	Ended on 31.3.2004
		(Rs.In Lacs)	(Rs.In Lacs)
Income			
Sales (Note 8 on schedule XXII)		154,055.51	120,884.36
Other Income	XIII	573.85	2,191.59
		<u>154,629.36</u>	<u>123,075.95</u>
Expenditure			
Raw Material Consumption	XIV	83,425.85	45,894.20
Other Manufacturing Expenses	XV	43,205.59	34,167.57
Employees' Cost	XVI	2,949.20	3,018.25
Selling Expenses	XVII	13,095.59	12,164.77
Finance Expenses	XVIII	27,047.65	30,278.94
Depreciation		16,774.38	17,545.01
Administration Expenses	XIX	3,985.14	4,070.30
Adjustments due to (Increase)/Decrease in Stock of Finished Goods and Work In Progress	XX	(5,135.79)	3,467.50
		<u>185,347.61</u>	<u>150,606.54</u>
Loss before Prior Period Adjustments and Taxation		(30,718.25)	(27,530.59)
Prior Period Adjustments	XXI	525.35	709.43
Loss before Tax Expense		<u>(31,243.60)</u>	<u>(28,240.02)</u>
- Deferred Tax Asset (Net) of earlier year written off		-	101.96
Loss after Tax Expense		(31,243.60)	(28,341.98)
Less:Minority Interest		(1.81)	0.43
		<u>(31,245.41)</u>	<u>(28,341.55)</u>
Loss brought forward from Previous Year		(56,854.10)	(28,512.55)
Balance Carried to Balance Sheet		<u>(88,099.51)</u>	<u>(56,854.10)</u>
Earning Per Share (Nominal value of Rs.10 each)			
Basic / Diluted (Note 21 on Schedule XXII) (Rs.)		(12.17)	(11.04)
Significant Accounting Policies and Notes to the Consolidated Accounts	XXII		

This is the Consolidated Profit & Loss Account referred to in our report of even date

The schedules referred to above form an integral Part of the Consolidated Profit & loss account

For and on behalf of the board

Kapil Kedar
Partner
Membership No.094902
For and on Behalf of
T.R.CHADHA & CO.
Chartered Accountants
Place: New Delhi
Date: 27th July,2005

H.K.Gupta
Company
Secretary

S P Arya
GM (Finance)

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

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

	Year Ended March 31, 2005 Amount (Rs. in Lacs)	Year Ended March 31, 2004 Amount (Rs. in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net loss before tax	(31,243.60)	(28,240.02)
Adjustments for:		
Depreciation	17,066.24	17,586.72
Finance Expense	27,047.65	30,582.90
Interest Income	(139.07)	(404.10)
(Profit)/Loss on sale/write off of Fixed Assets/CWIP	793.21	834.47
Deferred revenue expenditure written off	523.05	523.05
Loss/(Profit) on sale/write off of Investment	(9.22)	112.54
Liability no longer required written back	(28.80)	(668.81)
Unrealised Foreign Exchange Fluctuation	(1.28)	(85.95)
Provision/write off for bad & doubtful debts/advances	44.69	134.38
Provision for Gratuity & Leave Encashment	(6.07)	85.64
Provision for Inventory for obsolete/ damaged stock	178.48	-
Prior Period Expenses/(Income) (Net)	233.46	358.52
Wealth Tax Provision	3.76	17.97
Operating profit before working capital changes	14,460.90	20,840.24
Adjustments for changes in working capital :		
- (Increase)/Decrease in Sundry Debtors	18,066.63	(787.09)
- (Increase)/Decrease in Other Receivables	(597.93)	1,196.62
- (Increase)/Decrease in Inventories	(14,874.85)	728.84
- Increase/(Decrease) in Trade and Other Payables	(361.31)	4,940.72
- Increase/(Decrease) in Net Current Assets	2,212.54	6069.09
Cash generated from operations	16,873.04	26928.33
- Prior Period (Expenses)/Income (Net)	(233.46)	(358.52)
- Wealth Tax Paid	0.00	(4.70)
- Taxes Refund /Payment	(78.29)	(256.88)
Net cash from operating activities	16,363.29	26309.23
B. Cash flow from investing activities:		
Purchase of fixed assets	(300.12)	(3,445.75)
Proceeds from Sale/return of fixed assets/Capital work in progress	727.03	366.06
(Purchase)/Sale of investments	91.34	106.74
Interest Received (Revenue)	155.74	379.09
Net cash used in/from investing activities	873.98	(2,593.86)
C. Cash flow from financing activities:		
Proceeds from unsecured loans	-	5.26
Proceeds from long term borrowings	1,280.91	1,858.95
Repayments of long term borrowings	(5,248.86)	(12,511.53)
Proceeds (Repayments) from short term borrowings/cash credit	(3,012.22)	(4,880.78)
Finance Expense Paid	(11,678.06)	(7,320.20)
Dividend Paid	(41.36)	(0.21)
Net cash used in financing activities	(18,699.58)	(23,050.52)
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,662.31)	664.92
Cash and cash equivalents as at 31.03.2004	2,740.20	2,075.28
Cash and Bank balances	2,740.20	2,075.28
Cash and cash equivalents as at 31.03.2005	1,077.89	2,740.20
Cash and Bank balances	1,077.89	2,740.20

Notes :

- The above Cash flow statement has been prepared under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.
- Figures in brackets indicate cash outgo.
- Cash and cash equivalents includes balances with the scheduled bank under dividend payable accounts Rs. 0.45 (Previous Year Rs. 41.26 lacs) and Rs 850.83 (Previous Year Rs. 2321.16 lacs) against the margin money for Letter of Credit /Bank guarantees and Rs.37.71 lacs(Previous Year 33.79 lacs) against the Security deposit received from employees which are not available for use by the Company.
- Following non cash transactions have not been considered in the cash flow statement.
Tax deducted at source (on Income) Rs.31.72 Lacs (Previous Year Rs.30.75 Lacs)
- Long term borrowings amounting to Rs. 24,805.58 have been converted into Amount Pending Allotment/ Adjustment against Preference Share Capital (Refer Note 20(a)(i) and 20(b)(ii))
- Previous year's figures have been re-grouped/ re-arranged wherever necessary to conform to the current year's presentation.

This is the Cash Flow referred to in our report of even date.

Notes to accounts (Schedules XXII) forms an integral part of the Cash Flow Statement

For and on behalf of the board

Kapil Kedar
Partner
Membership No.094902
For and on Behalf of
T.R.CHADHA & CO.
Chartered Accountants

H.K.Gupta
Company
Secretary

S P Arya
GM (Finance)

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

Place: New Delhi
Date: 27th July, 2005

OSWAL CHEMICALS & FERTILIZERS LIMITED
OSWAL
CONSOLIDATED SCHEDULES TO ACCOUNTS

Schedule I	As At 31.03.2005 (Rs.in Lacs)	As At 31.03.2004 (Rs.in Lacs)
Share Capital (Note 19 On schedule XXII)		
Authorised:		
375,000,000 (Previous Year 375,000,000) Equity Shares of Rs.10/- each	37,500.00	37,500.00
27,500,000 (Previous Year 27,500,000) Redeemable Preference Shares of Rs.100/-each	27,500.00	27,500.00
12,500,000 (Previous Year 12,500,000) Zero Percent Optional Convertible Preference Shares of Rs.100/-each	12,500.00	12,500.00
	<u>77,500.00</u>	<u>77,500.00</u>
Issued & Subscribed :		
256,809,159 (Previous Year 256,808,759) Equity Shares of Rs.10/- each fully paid up	25,680.92	25,680.88
24,000,000 (Previous Year 24,000,000) 0.01%(Previous Year 10%) Redeemable Non Cumulative Preference Shares of Rs.100 each, fully paid up, redeemable on the the expiry of 20 years (Previous Year 15 Years) from the date of allotment i.e., 31st October 2001 Refer Note 19 b (ii) in Schedule XXII	24,000.00	24,000.00
Amount Pending Allotment / Adjustment against Preference Shares (Refer Note 19 b (i) in Schedule XXII)	24,805.58	2,185.95
	<u>74,486.50</u>	<u>51,866.83</u>
Schedule II		
Reserves & Surplus		
Debtenture Redemption Reserve *	4,549.94	4,549.94
Share Premium Account	44,252.90	44,252.90
Capital Redemption Reserve	5,860.00	5,860.00
TOTAL	<u>54,662.84</u>	<u>54,662.84</u>
* Note 24 on Schedule XXII		
Schedule III		
Secured Loans (Note 14, 18, 19 and 20 on schedule XXII)		
A. Debtentures		
I) NIL (Previous Year 11,00,000) 19.5% Secured Non-Convertible Redeemable Debtentures of Rs.100/- each Fully Paid up Outstanding Amount Rs.NIL each (Previous Year Rs.7.14 each)	-	78.48
II) 80,00,000 (Previous Year 80,00,000) - 16% Secured Non-Convertible Redeemable Debtentures Of Rs.100/- each Fully Paid Up.	8,000.00	8,000.00
III) 18,75,000(Previous Year 18,75,000) 15.5% Secured Non-Convertible Redeemable Debtentures of Rs. 100/- each Fully Paid up.	1,875.00	1,875.00
IV) 3,39,00,000 (Previous Year 3,39,00,000) - 10.50% (Previous Year 14.031%) Secured Non-Convertible Redeemable Debtentures of Rs. 100/- each Fully Paid Up.	33,900.00	33,900.00
Interest Accrued And Due	5,997.84	2,791.32
B. Term Loans:-		
I) RUPEES TERM LOANS		
- From Financial Institutions	80,932.41	95,431.56
- From Banks	58,885.38	57,885.54
Interest Accrued And Due		
- On Term Loans from financial Institution	1,678.94	10.08
- On Term Loans from Banks	182.70	-
C. Working Capital Loans	36,703.67	39,190.89
- From Banks	2,075.00	2,600.00
- From Others		
Interest Accrued And Due		
- On Working Capital Loan from Banks		18.39
D. Interest Free Loan From The Pradehiya Industrial & Investment Corporation of Uttar Pradesh Limited (PICUP)	7,274.30	7,274.76
	<u>235,503.22</u>	<u>249,036.02</u>

Notes:

- Debentures and term loans are secured by mortgage on whole of the movable properties save and except book debts of the Company subject to charges created/to be created in favour of the Company's bankers for working capital requirements. These are further secured by a joint mortgage created/to be created in favour of all the financial institutions and banks by way of deposit of the title deeds with respect to the Company's immovable properties (other than as referred to in note 2 below).
- Term loans aggregating to Rs.2410 lacs (previous year Rs.2410 lacs) from a bank are further secured by mortgage by way of deposit of title deeds of immovable properties at village Balagari, District Dewas, Madhya Pradesh.
- Debentures subscribed by UTI as mentioned at A (ii) and A (iii) above are redeemable at par in 28 quarterly instalments commenced from 15th December, 2003.
 - 10.50% Secured Redeemable Non Convertible Debentures of Rs.100 each subscribed by IFCI mentioned at A (iv) above are redeemable in 36 structured instalments commencing from 2007-08.
- Working capital loans from banks and others are secured by first charge by way of hypothecation of the whole of the current assets and book debts of the Company. These are further secured by a second charge by way of a joint mortgage in favour of all the lenders for working capital requirements by way of deposit of the title deeds with respect to the Company's immovable properties (other than as referred to in note 2 above).
- The above loans, other than working capital loans from others, are guaranteed by the Managing Director.
- Loan from PICUP is secured by second charge on the movable assets and immovable fixed assets of the Shahjahanpur fertilizer plant of the Company and shall rank pari passu with the charges created for securing working capital facilities.

Schedule IV

(Note 3(i)(a), 3(i) (b), on Schedule XXII)

Fixed Assets

(Rs. in Lacs)

Particulars	Gross Block				Depreciation				Net Block	
	As at 01.04.2004	Addition/ Adjustment during the year	Sale / Adjustment during the year	As at 31.03.2005	Up to 01.04.2004	For the year	Written Back/ Adjusted during the year	Up to 31.03.2005	As at 31.03.2005	As at 31.03.2004
Goodwill on consolidation	0.07	-	-	0.07	-	-	(0.07)	0.07	0.00	0.07
Land										
-Leasehold*	1,005.78	-	-	1,005.78	79.03	10.20	-	89.23	916.55	926.75
-Freehold	372.57	-	-	372.57	-	-	-	-	372.57	372.57
-Site Development	8,488.73	-	-	8,488.73	229.23	78.41	-	305.54	8,161.00	8,237.50
Buildings										
-Leasehold	30.85	-	-	30.85	2.15	10.24	-	12.39	18.29	28.53
-Freehold**	20,844.03	10.30	-	20,854.33	5,539.11	1,279.79	16.42	6,802.48	14,051.85	15,334.92
Plant & Machinery	327,077.02	470.59	1,025.80	328,521.81	129,885.94	14,850.14	368.93	144,438.15	182,082.66	197,181.06
Plant & Machinery - held for disposal	8,837.25	-	-	8,837.25	9,191.01	509.31	-	9,700.32	136.93	646.24
Machinery Spares	1,008.95	-	-	1,008.95	304.78	81.42	-	386.20	622.75	704.17
Furniture & Fixture	913.33	3.58	-	916.91	714.48	37.90	-	752.36	164.55	198.87
Vehicles	2,104.77	20.36	6.04	2,118.06	1,668.82	127.25	5.54	1,791.53	327.55	434.95
Total	369,681.18	504.82	1,031.84	369,134.16	147,615.53	17,062.66	418.82	164,279.37	204,854.79	222,045.65
Previous Year	368,218.52	2,892.14	1,249.55	369,861.11	130,248.37	17,896.72	219.56	147,615.53		
Capital Work In Progress***									4,977.08	8,072.65
TOTAL									209,831.87	228,118.30

* Includes land amounting to Rs. 8.07 lacs (Previous Year Rs 8.07 lacs) located at Paradeep and Rs. 0.82 lacs (Previous Year Rs. 0.82 lacs) Located at Mandideep, the Lease Deed in respect of which is yet to be executed and also Includes 7 acres land earmarked for construction of a hospital by Aruna Abhey Oswal Trust.

** Includes Railway Sidings, costing Rs.527.84 lacs (Previous Year Rs 527.64 lacs) not located on Company's land.

*** Capital Work In Progress includes Capital Advance Rs. 479.79 Lacs (Previous Year Rs.491.14 Lacs)

Schedule V

As At 31.03.2005

As At 31.03.2004

INVESTMENTS - LONG TERM - NON TRADE (Notes 6(a) & (b) on schedule XXII)

(Rs.in lacs)

(Rs.in lacs)

A. Quoted (Long Term)

In Equity Shares (Fully Paid Up)

152000 (Previous Year 152000) Equity Shares of Rs.10/- Each of Nashville Investment & Trading Co. Ltd.	13.81	13.81
8324099 (Previous Year 8324099) Equity Shares of Rs.10/- Each of Oswal Agro Mills Ltd	4,884.85	4,926.15
10000 Equity Shares of Rs.10/-each of Appu Impex Ltd.	-	0.28
1440000 Equity Shares of Rs.10/-each of Progressive Commercial Enterprises Ltd.	-	26.29
10000 Equity Shares of Rs.10/-each of Alliance Techno Projects Ltd.	-	1.02
80500 Equity Shares of Rs.10/-each of Lucky Star Entertainment Ltd.	-	2.91
Share Application Money	-	-

OSWAL CHEMICALS & FERTILIZERS LIMITED
OSWAL

Contd.... from page no. 37

As At 31.03.2005

As At 31.03.2004

	(Rs. In lacs)	(Rs. In lacs)
B. Government Securities:		
Unquoted:-		
In Govt. Securities 7 Years National Plan Saving Certificate (Lodged with Govt. Authorities)	0.01	0.21
C. Others - Unquoted	-	-
	4,898.87	4,970.67
Less: Provision For Diminution of Investments	10.01	-
	4,888.86	4,970.67
Aggregate Book Value:		
Quoted Investments	4,888.65	4,977.98
Unquoted Investments	0.01	0.21

Schedule VI
Deferred Tax Asset/(Liability) (Net) (Note 15 on schedule XXII)

Brought Forward		101.96
Deferred Tax Assets		
Unabsorbed Depreciation and Carry forward Losses	41,661.30	37,023.81
Other Timing Difference	3,090.76	8,472.45
Total	44,752.06	45,496.26
Grand Total	44,752.06	45,598.22
Deferred Tax Liability		
Fixed Assets	44,576.00	44,852.79
Deferred Revenue Expenditure	176.06	543.47
Total	44,752.06	45,496.26
Deferred Tax Asset (Net)		101.96
Less: Deferred Tax Asset written off		101.96
Carried Forward		101.96

Schedule VII
INVENTORIES

Equity Shares in Oswal Agro Mills Ltd.	-	1.48
Raw Materials (Including In Transit Rs. 1339.38 Lacs Previous Year Rs. NIL)	15,868.13	6066.47
Work In Progress	6,381.08	3,626.42
Finished Goods	25,403.38	23,022.22
Stores & Spares (Including In Transit Rs. NIL - Previous Year Rs. 386.74 Lacs)	6,705.47	6,944.88
Loose Tools	0.15	0.37
	54,358.19	39,661.82

Schedule VIII
Sundry Debtors (Considered Good)

Over Six Months		
Secured	16.39	13.07
Unsecured	10,026.59	12,548.39
Others		
Secured	34.41	119.67
Unsecured	18,981.34	34,424.23
	29,038.73	47,105.36
Less: Provision for Debts/Claims	25.00	-
	29,013.73	47,105.36

Schedule IX
Cash & Bank Balances

Cash & Cheques In Hand Including Postage Imprest	148.75	298.75
Balances With Scheduled Banks		
Current Accounts	38.18	32.54
Dividend Accounts (Refer schedule XI) *	0.45	41.26
Fixed Deposit **	850.83	2,321.36
Margin Money	1.97	12.50
Employee Security Deposit-Fixed Deposit	34.51	32.72
Employee Security Deposit-Saving Bank Account	3.20	1.07
	1,077.89	2,740.20

** Pledged against Bank Guarantees, Letters of Credit and with Govt. Authorities Rs. 850.83 Lacs (Previous Year Rs. 2,321.16 Lacs).

Schedule X	As at 31.03.2005		As at 31.3.2004	
	(Rs. in lacs)		(Rs. in lacs)	
Loans & Advances (Notes 12 on schedule XXII)				
<i>(Unsecured and Considered Good Unless Otherwise Stated)</i>				
Advances Recoverable In Cash or in kind or for value to be received	3,218.12		2,618.60	
Less: Provision for Doubtful Advances	387.25	2,838.37	367.56	2,251.04
Interest Accrued but not due on Deposits		9.86		58.25
Balance With Central Excise Etc.		15.48		15.29
Security Deposits		454.23		475.70
		<u>3,317.94</u>		<u>2,800.37</u>

Schedule XI**Current Liabilities (Note 9(a) & (b) on schedule XXII)**

Sundry Creditors				
i) Total outstanding dues of Small Scale Industrial Undertakings		0.39		1.68
ii) Total outstanding dues of Creditors Other Than Small Scale Industrial Undertakings	14,035.94			15,548.23
Deferred Income				
Advances from Customers	2,926.61			2,628.81
Other Liabilities	2,005.09			1,539.49
Investors Education & Protection Fund	3,098.23			2,759.44
<i>(Appropriate amount shall be transferred to "Investor Education and Protection Fund" If and when due)</i>				
-Unpaid Dividends (refer schedule IX) *	0.14			41.50
-Unpaid Matured Debenture & Interest Due thereon	13.15			13.29
Interest accrued but not due	3,680.44			4,377.13
		<u>25,759.99</u>		<u>26,909.57</u>

Schedule XII**Provisions**

Gratuity	269.07			266.31
Leave With Wages	112.68			123.51
Wealth Tax	9.45			17.97
Current Tax (Net of Advance Tax Rs.762.85 Lacs(Previous Year Rs.654.84 Lacs)	211.67			319.68
		<u>602.87</u>		<u>727.47</u>

* Under Reconciliation

Schedule XIII

	For The Year Ended on 31.03.2005	For The Year Ended on 31.03.2004
Other Income		
Profit on Sale of Assets	0.37	7.62
Interest on Fixed Deposits - Gross (TDS Rs.22.72 Lacs Previous Year Rs.30.75 Lacs)	139.07	404.10
Foreign Exchange Fluctuation (Net)	60.93	352.98
Miscellaneous Income	344.68	758.08
Provision no longer required written back	28.60	668.81
	<u>573.65</u>	<u>2,191.59</u>

Schedule XIV**Raw Material Consumption**

Opening Stock	6,066.47	3,865.01
Add: Purchases	91,920.78	47,995.66
	97,987.25	51,860.67
Less: Closing Stock	14,561.40	6,066.47
	<u>83,425.85</u>	<u>45,794.20</u>

OSWAL CHEMICALS & FERTILIZERS LIMITED

OSWAL

Schedule XV	For The Year Ended on 31.03.2005 (Rs.in lacs)	For The Year Ended on 31.03.2004 (Rs.in lacs)
Other Manufacturing Expenses		
Stores Consumed	5,406.84	5,272.20
Packing Material Consumed	3,388.67	2,565.43
Power & Fuel	32,765.78	25,068.27
Others	883.14	518.96
Repairs - Building	20.47	27.89
- Machinery	694.88	608.34
- Others	45.81	112.48
	<u>43,205.59</u>	<u>34,167.57</u>
Schedule XVI		
Employees' Cost (Note 17 on schedule XXII)		
Salaries, Wages, Bonus and other Allowances	2,649.47	2,721.91
Contribution to Provident Fund & Employees State Insurance	151.57	144.81
Welfare Expenses	148.18	151.53
	<u>2,949.22</u>	<u>3,018.25</u>
Schedule XVII		
Selling Expenses		
Freight, Handling and selling Expenses	12,898.35	11,892.94
Rebate & Discounts	287.24	471.83
	<u>13,095.59</u>	<u>12,364.77</u>
Schedule XVIII		
Finance Expenses		
Interest - On Fixed Loans	15,152.37	17,910.45
- On Debentures	7,359.37	7,392.74
- On Others	3,682.38	4,632.93
Bank Charges	853.53	342.82
	<u>27,047.65</u>	<u>30,278.94</u>
Schedule XIX		
Administration Expenses (Note 17 on schedule XXII)		
Rent	99.34	88.72
Rates & Taxes	104.48	88.40
Insurance	794.96	775.29
Loss on Sale/Writeoff of Assets	793.58	842.09
Other General Expenses	1,466.25	1,618.37
Provision for Obsolete Store	178.48	-
Bad Debt/Advances Written Off/Provided	25.00	134.38
Miscellaneous Expenditure Written off	523.05	523.05
	<u>3,965.14</u>	<u>4,070.30</u>
Schedule XX		
Adjustment due to (Increase)/Decrease in Stock of Finished Goods and Work in Progress		
Opening Stock		
Finished Goods	23,022.22	28,462.88
Work In Progress	3,626.42	1,653.26
Shares held as Stock in Trade	-	1.48
	<u>26,648.64</u>	<u>30,117.62</u>
Less : Closing Stock		
Finished Goods	25,403.36	23,022.22
Work In Progress	6,381.07	3,626.42
Shares held as Stock in Trade	-	1.48
	<u>31,784.43</u>	<u>26,650.12</u>
	<u>(5,135.79)</u>	<u>3,467.50</u>
Schedule XXI		
Prior Period Adjustments		
Other General Expenses	317.15	344.34
Miscellaneous Income	(83.89)	(1.18)
Rates & Taxes	-	15.34
Depreciation	308.31	41.71
Depreciation written Back	(16.42)	-
Interest	-	309.20
	<u>525.35</u>	<u>709.43</u>

SCHEDULE XXII

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE CONSOLIDATED ACCOUNTS

1) Method of Consolidation:

The Consolidated financial statements comprise of financial statements of Oswal Chemicals & Fertilizers Limited (the Company) and the Association of Persons (AOPs) under its control namely Sagar Corporation, Universe Associates and Shanerjula Associate (hereinafter referred to as "the Group"), all registered in India after elimination of Inter group transactions and balances. The Company controls 89%, 91% and 88% respectively in each of the Association of Persons (AOPs). The consolidated financial statements have been prepared by the Company in accordance with the requirement of Accounting Standard 21 issued by ICAI. Investment made by AOPs in the Equity Shares of the Company has been eliminated with corresponding reduction in the share capital of the Company and cost of such investments in excess of face value of the shares has been recognized as Goodwill in the consolidated financial statements.

2) Significant Accounting Policies:

a. Accounting Convention

The financial statements are prepared under historical cost convention on accrual basis in accordance with the mandatory accounting standards read with notes and relevant presentational requirements of the Companies Act, 1956.

b. Fixed Assets and Depreciation

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes all incidental expenditure not of MODVAT/CENVAT wherever applicable.

The carrying amount of assets is reviewed at each balance sheet date to determine if there is any indication of impairment thereof based on external / internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the 'net selling price' of assets and their 'value in use'.

Depreciation

The Company provides for depreciation as follows:

i) Urea Division

Urea and Power Generation plants: Based on technical evaluation of the useful life, the Company is charging depreciation at a rate of 25% which is higher than that provided in Schedule XIV to the Companies Act, 1956 on Written Down Value (WDV) of the assets. The other assets are depreciated on WDV basis at the rates provided in Schedule XIV to the Companies Act, 1956.

ii) LDPE division

The assets other than plant and machinery (valued at lower of net realisable value basis or cost) are depreciated on WDV basis at the rates provided in Schedule XIV to the Companies Act, 1956.

iii) Di-Ammonium Phosphate (DAP) Division

Process Plant & Machinery on Straight Line Method (SLM) basis at the rates provided in Schedule XIV to the Companies Act, 1956 applicable to continuous process plant as per technical evaluation. Marine material handling equipment installed on the lease hold land is amortized over the period of lease. Pipes & fittings, electrical installations, storage tanks are depreciated on SLM basis at the rates provided in Schedule XIV to the Companies Act, 1956 applicable to general plant & machinery other than continuous process plant. Railway siding at 20% per annum. The other assets are depreciated on WDV basis at the rates provided in Schedule XIV to the Companies Act, 1956.

iv) Other Divisions

On SLM basis at the rates provided in Schedule XIV to the Companies Act, 1956.

v) Leasehold Premium/Improvement

Leasehold premium/improvement is being amortized/depreciated over the period of lease.

vi) Capital Spares

Capital spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be non-regular are capitalised and depreciated over the balance useful lives of the related plant and machinery.

c. Investments

Long term investments are stated at cost less provision, if any, for diminution in value of such investments other than temporary. Current investments are stated at lower of cost and fair value.

d. Inventories

Raw materials, components, finished goods, work in progress and stores & spares are valued at cost or net realisable value, whichever is lower. Realisable value of Urea and DAP is inclusive of the Retention Price Concession as notified by the Government of India. The basis of determining cost for various categories of inventories is as follows:

i) Stores and Spares, Raw materials and Packing materials.

Weighted average cost.

ii) Work in Progress and Finished Goods.

Material cost plus appropriate share of labour and production overheads.

e. Revenue Recognition

Sales are recognised upon the transfer of significant risks and rewards of ownership to the customers. Concession on Urea under Group Pricing Scheme is recognised as per the price notified by Government of India and is subject to adjustment on finalization of escalation claim on inputs as and when notified. Equated freight on urea is recognised as income on its accrual. Concession on DAP/NP is recognised at rates notified by Govt. of India from time to time. Income from investments and interest are accounted for on accrual basis.

f. Foreign Exchange Transactions

Transactions in foreign currency are recorded at the exchange rates prevailing on the dates of the transactions except for goods in transit and related liabilities, which are stated at the exchange rate prevailing at the year end. Liability in respect of imported materials remaining unpaid are stated at the exchange rates prevailing at the year end.

In case of Forward Exchange Contracts, the difference between the forward rate and the exchange rate at the date of transaction is recognized as currency fluctuation in the Profit & Loss Account over the life of the contract.

g. Retirements Benefits

Contribution to provident fund scheme is charged to the profit and loss account as incurred. Liability for gratuity and leave encashment is provided on the basis of actuarial valuation carried out at the year end.

h. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset upto the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which they are incurred.

i. Taxation

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to considerations of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

j. Miscellaneous Expenditure-Deferred Revenue Expenditure

Preoperative Expenditure incurred by the Company upto the date of commencement of commercial operations not directly attributable to fixed assets is treated as Deferred Revenue Expenditure to be written off over a period of three to five years.

k. Provision

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle such obligation, in respect of which a reliable estimate can be made.

l. Contingent Liabilities

Contingent liabilities are not provided for in the accounts and are separately disclosed in the "Notes to Accounts".

- 3) Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 520.73 lacs (Previous Year Rs.725.25 lacs).

		Year ended March 31, 2005	Year ended March 31, 2004
		(Rs. In Lac)	
4)	Contingent Liabilities not provided for in respect of :		
(i)	a) Land reference cases filed by land owners for additional compensation (excluding interest)	84.80	84.80
	b) Disputed cost of motor vehicle purchased	69.00	69.00
	c) Electricity duty on captive generation of power at Paradeep (pending exemption under Industrial Policy Resolusion for want of production certificate to be issued by Department of Industries)	1908.00	921.86
	d) Demands/show cause notices received from Sales Tax department.	906.59	369.65
	e) Demand received for water charges disputed by the company.	553.44	386.52
	f) Demand received for Entry Tax in Orissa	1048.09	527.39
	g) Demand for minimum guaranteed wherfage, disputed by the Company.	1205.18	1018.48
	h) Custom Duty on Raw Material imported for DAP Unit is subject to final assessment by the Custom Authorities.	Amount not quantifiable	Amount not quantifiable
	i) Import Pass Fee for import of industrial alcohol in the State of West Bengal	42.85	42.85
	j) Other claims against the Company not acknowledged as debts	1197.68	1458.54
	k) Guarantees issued by banks	1.25	0.00
(ii)	With a view to encourage setting up of fertilizer plants in the country, only the Government of India has been following a policy of granting the facility of duty free import of plant and machinery required for setting up the fertilizer plants. The Company has imported certain equipment for setting up fertilizer plants at Shahjahanpur and Paradeep and has furnished undertakings to customs authorities at the time of clearance of consignments. The liability, if any, would be ascertainable on final reconciliation by customs authorities.		
5)	(a) The Income Tax Department has raised gross demands of Rs. 2768.31 lacs for the assessment years 1991-92, 1995-96, 1998-99 to 2001-02, against which the provision of Rs. 1693.80 lacs has been made as at 31 st March 2005. Provision for amount of shortfall is not considered necessary, since after 31 st March, 2005, relief amounting to Rs. 1617.03 lacs has been granted in certain cases on the basis of appeals decided in favour of the company.		
	(b) Income Tax Assessment of AOPs has been completed upto the Assessment year 2002-03. Demands for an aggregate amount of Rs. 33.36 lacs (Previous Year Rs. 33.38 lacs) have been raised by the Income Tax Department for the assessment years 1988-89 to 1990-91 against which appeals are pending before ITAT Mumbai.		
6)	(a) Investments (Schedule V) include equity shares in Oswal Agro Mills Limited (OAML) amounting to Rs. 4,864.85 lacs. The shares of OAML were not quoted during the year and market value of these investments as at March 31, 2004 was Rs. 120.70 lacs. However, the market value of the property/investments held by OAML is significantly higher than their cost and therefore the break up value of these equity shares is higher than the cost of acquisition of such shares. The diminution in value of this investment is considered temporary and accordingly no provision is considered necessary in this regard.		
	(b) The shares of OAML and Nashville Investment and Trading Co. Ltd. were not quoted during the year and hence market value of quoted investments at the close of the year cannot be ascertained (Previous Year Rs. 124.50 lacs).		

- 7) A downward revision in retention price for 7th and 8th pricing periods ended on March 31, 2003 was notified by the Government of India (GOI) vide notification dated September 13, 2002 and April 10, 2003 due to implementation of policy parameters resulting in a refund of an estimated amount of Rs. 21,758.92 lacs (Previous Year Rs. 21758.92 lacs). The Company has earlier filed a writ petition against the GOI before the Hon'ble Delhi High Court contesting the basis adopted for calculation of retention price and obtained a stay against the recovery from the Hon'ble Delhi High Court and has accordingly not provided for the aforesaid refund. The Company has been legally advised that there will not be any material liability on the Company.

8) Sales Include :

	Year ended March 31, 2005	Year ended March 31, 2004
	(Rs. in Lacs)	
Concession on Urea (including arrears for Earlier Years Rs. 634.46 lacs – Previous Year Rs. 2934.17 lacs).	2743.25	25420.94
Equated Freight on Urea (including arrears for Previous Years Rs. 337.63 lacs – Previous Year Rs. Nil).	4174.99	3683.52
Concession on DAP/NP	28632.94	14267.72

- 9) a) The balances of accounts of certain suppliers and debtors of DAP division are subject to confirmation/reconciliation. Adjustments, if any, arising from these exercises will be accounted for on completion of the reconciliation.
- b) A reconciliation exercise is being carried out for the interest payable to erstwhile debenture holders and bondholders. Pending reconciliation, the company has paid Rs. 0.15 lacs (previous year Rs. 250.07 lacs) during the year to certain debenture holders based on claims received from them.

SCHEDULE XXII

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE CONSOLIDATED

1) Method of Consolidation:

The Consolidated financial statements comprise of financial statements of *Oswal Chemicals & Fertilizers Limited (the Company)* and the Association of Persons (AOPs) under its control namely Sagar Corporation, Universal Associates and Shananjula Associate (hereinafter referred to as 'the Group'), all registered in India after elimination of inter group transactions and balances. The Company controls 88%, 91% and 88% respectively in each of the Association of Persons (AOPs). The consolidated financial statements have been prepared by the Company in accordance with the requirement of Accounting Standard 21 issued by ICAI. Investment made by AOPs in the Equity Shares of the Company has been eliminated with corresponding reduction in the share capital of the Company and cost of such investments in excess of face value of the shares has been recognized as Goodwill in the consolidated financial statements.

2) Significant Accounting Policies:

a. Accounting Convention

The financial statements are prepared under historical cost convention on accrual basis in accordance with the mandatory accounting standards read with notes and relevant presentational requirements of the Companies Act, 1956.

b. Fixed Assets and Depreciation

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes all incidental expenditure net of MODVAT/CENVAT wherever applicable.

The carrying amount of assets is reviewed at each balance sheet date to determine if there is any indication of impairment thereof based on external / internal factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount, which represents the greater of the 'net selling price' of assets and their 'value in use'.

Depreciation

The Company provides for depreciation as follows:

i) Urea Division

Urea and Power Generation plants: Based on technical evaluation of the useful life, the Company is charging depreciation at a rate of 25% which is higher than that provided in Schedule XIV to the Companies Act, 1956 on Written Down Value (WDV) of the assets. The other assets are depreciated on WDV basis at the rates provided in Schedule XIV to the Companies Act, 1956.

ii) LDPE division

The assets other than plant and machinery (valued at lower of net realisable value basis or cost) are depreciated on WDV basis at the rates provided in Schedule XIV to the Companies Act, 1956.

iii) Di-Ammonium Phosphate (DAP) Division

Process Plant & Machinery on Straight Line Method (SLM) basis at the rates provided in Schedule XIV to the Companies Act, 1956 applicable to continuous process plant as per technical evaluation. Marine material handling equipment installed on the lease hold land is amortized over the period of lease. Pipes & fittings, electrical installations, storage tanks are depreciated on SLM basis at the rates provided in Schedule XIV to the Companies Act, 1956 applicable to general plant & machinery other than continuous process plant. Railway siding at 20% per annum. The other assets are depreciated on WDV basis at the rates provided in Schedule XIV to the Companies Act, 1956.

iv) Other Divisions

On SLM basis at the rates provided in Schedule XIV to the Companies Act, 1956.

v) Leasehold Premium/Improvement

Leasehold premium/improvement is being amortized/depreciated over the period of lease.

vi) Capital Spares

Capital spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be non-regular are capitalised and depreciated over the balance useful lives of the related plant and machinery.

c. Investments

Long term investments are stated at cost less provision, if any, for diminution in value of such investments other than temporary. Current investments are stated at lower of cost and fair value.

d. Inventories

Raw materials, components, finished goods, work in progress and stores & spares are valued at cost or net realisable value, whichever is lower. Realisable value of Urea and DAP is inclusive of the Retention Price Concession as notified by the Government of India. The basis of determining cost for various categories of inventories is as follows:

i) Stores and Spares, Raw materials and Packing materials.

Weighted average cost.

ii) Work in Progress and Finished Goods.

Material cost plus appropriate share of labour and production overheads.

e. Revenue Recognition

Sales are recognised upon the transfer of significant risks and rewards of ownership to the customers. Concession on Urea under Group Pricing Scheme is recognised as per the price notified by Government of India and is subject to adjustment on finalization of escalation claim on inputs as and when notified. Equated freight on urea is recognised as income on its accrual. Concession on DAP/NP is recognised at rates notified by Govt. of India from time to time. Income from investments and Interest are accounted for on accrual basis.

f. Foreign Exchange Transactions

Transactions in foreign currency are recorded at the exchange rates prevailing on the dates of the transactions except for goods in transit and related liabilities, which are stated at the exchange rate prevailing at the year end. Liability in respect of imported materials remaining unpaid are stated at the exchange rates prevailing at the year end.

In case of Forward Exchange Contracts, the difference between the forward rate and the exchange rate at the date of transaction is recognized as currency fluctuation in the Profit & Loss Account over the life of the contract.

g. Retirements Benefits

Contribution to provident fund scheme is charged to the profit and loss account as incurred. Liability for gratuity and leave encashment is provided on the basis of actuarial valuation carried out at the year end.

h. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset upto the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which they are incurred.

i. Taxation

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to considerations of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

j. Miscellaneous Expenditure-Deferred Revenue Expenditure

Preoperative Expenditure incurred by the Company upto the date of commencement of commercial operations not directly attributable to fixed assets is treated as Deferred Revenue Expenditure to be written off over a period of three to five years.

k. Provision

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle such obligation, in respect of which a reliable estimate can be made.

l. Contingent Liabilities

Contingent liabilities are not provided for in the accounts and are separately disclosed in the "Notes to Accounts".

- 3) Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 520.73 lacs (Previous Year Rs.725.25 lacs).

(Rs. In Lacs)

4) Contingent Liabilities not provided for in respect of :	Year ended March 31, 2005	Year ended March 31, 2004
(i) a) Land reference cases filed by land owners for additional compensation (excluding interest)	64.80	64.80
b) Disputed cost of motor vehicle purchased	69.00	69.00
c) Electricity duty on captive generation of power at Paradeep (pending exemption under Industrial Policy Resolution for want of production certificate to be issued by Department of Industries)	1908.00	821.86
d) Demands/show cause notices received from Sales Tax Department.	808.89	369.69
e) Demand received for water charges disputed by the company.	553.44	368.52
f) Demand received for Entry Tax in Orissa	1048.09	527.39
g) Demand for minimum guaranteed wharfage, disputed by the Company.	1205.16	1018.46
h) Custom Duty on Raw Material imported for DAP Units is subject to final assessment by the Custom Authorities.	Amount not quantifiable	Amount not quantifiable
i) Import Pass Fee for import of industrial alcohol in the State of West Bengal	42.86	42.86
j) Other claims against the Company not acknowledged as debts	1197.68	1458.54
k) Guarantees issued by banks	1.25	0.00
(ii) With a view to encourage setting up of fertilizer plants in the country, only the Government of India has been following a policy of granting the facility of duty free import of plant and machinery required for setting up the fertilizer plants. The Company has imported certain equipment for setting up fertilizer plants at Shajahanpur and Paradeep and has furnished undertakings to customs authorities at the time of clearance of consignments. The liability, if any, would be ascertainable on final reconciliation by customs authorities.		
5) (e) The Income Tax Department has raised gross demands of Rs. 2768.31 lacs for the assessment years 1991-92, 1995-96, 1998-99 to 2001-02, against which the provision of Rs. 1693.80 lacs has been made as at 31 st March 2005. Provision for amount of shortfall is not considered necessary, since after 31 st March, 2005, relief amounting to Rs. 1817.03 lacs has been granted in certain cases on the basis of appeals decided in favour of the company.		
(d) Income Tax Assessment of AOPs has been completed upto the Assessment year 2002-03. Demands for an aggregate amount of Rs. 33.36 lacs (Previous Year Rs. 33.38 lacs) have been raised by the Income Tax Department for the assessment years 1988-89 to 1990-91 against which appeals are pending before ITAT Mumbai.		
6) (a) Investments (Schedule V) include equity shares in Oswal Agro Mills Limited (OAML) amounting to Rs. 4,884.85 lacs. The shares of OAML were not quoted during the year end market value of these investments as at March 31, 2004 was Rs. 120.70 lacs. However, the market value of the property/investments held by OAML is significantly higher than their cost and therefore the break up value of these equity shares is higher than the cost of acquisition of such shares. The diminution in value of this investment is considered temporary and accordingly no provision is considered necessary in this regard.		

- (b) The shares of OAML and Nashville Investment and Trading Co. Ltd. were not quoted during the year and hence market value of quoted investments at the close of the year cannot be ascertained (Previous Year Rs. 124.50 lacs).

7) A downward revision in retention price for 7th and 8th pricing periods ended on March 31, 2003 was notified by the Government of India (GOI) vide notification dated September 13, 2002 and April 10, 2003 due to implementation of policy parameters resulting in a refund of an estimated amount of Rs. 21,768.92 lacs (Previous Year Rs. 21,768.92 lacs). The Company has earlier filed a writ petition against the GOI before the Hon'ble Delhi High Court contesting the basis adopted for calculation of retention price and obtained a stay against the recovery from the Hon'ble Delhi High Court and has accordingly not provided for the aforesaid refund. The Company has been legally advised that there will not be any material liability on the Company.

B) Sales include :

(Rs. in Lacs)

	Year ended March 31, 2005	Year ended March 31, 2004
Concession on Urea (including arrears for Earlier Years Rs. 634.46 lacs - Previous Year Rs. 2934.17 lacs).	27438.25	25420.94
Equated Freight on Urea (including arrears for Previous Years Rs. 337.63 lacs - Previous Year Rs. NIL).	4174.98	3663.52
Concession on DAP/NP	28832.94	14287.72

- 9) a) The balances of accounts of certain suppliers and debtors of DAP division are subject to confirmation/reconciliation. Adjustments, if any, arising from these exercises will be accounted for on completion of the reconciliation.

- b) A reconciliation exercise is being carried out for the interest payable to erstwhile debenture holders and bondholders. Pending reconciliation, the company has paid Rs. 0.15 lacs (previous year Rs. 250.07 lacs) during the year to certain debenture holders based on claims received from them.

- c) The company has filed legal cases against debtors of Rs. 175.27 lacs for recovery of outstanding amounts. No provision thereagainst has been considered necessary, since in the opinion of the management, these debts are recoverable.
- 10) Pre-operative expenditure incurred on DAP Division and not attributable to the construction activity is being written off over a period of 5 years from the date of commercial production i.e. 1st April, 2001 as per details given below:

	Year ended March 31, 2005	Year ended March 31, 2004
Balance brought forward	1048.11	1569.16
Less : Written off during the year	523.05	523.05
Total	523.06	1046.11

- 11) Directors' Remuneration:

	Year ended March 31, 2005	Year ended March 31, 2004
Salary & allowances	54.00	54.00
Contribution to Provident Fund	6.48	6.48
Perquisites	47.63	52.23
Sitting Fees	2.60	2.60
Total	110.71	115.81

- 12) (a) Provisions for gratuity and leave encashment have been made on a group basis and separate figures applicable to an individual employee are not available and therefore have not been considered in the above figures.
 (b) The above remuneration other than sitting fee is subject to approval of Central Government.

	As at March 31, 2005	(Rs. in Lacs) As at March 31, 2004
12) Loan Advances as given in Schedule X include:		
Maximum Amount due from Directors and Secretary at any time during the year	0.78	1.55

	As at March 31, 2005	(Rs. in Lacs) As at March 31, 2004
13) Auditors' Remuneration:		
Audit Fee	20.00	21.00
Certification work	3.00	6.00
Other Services	3.00	9.00
Out of Pocket Expenses (including service tax)	6.71	6.97

- 14) The amount of U.P. Trade Tax on Urea collected during the period 1.3.2004 to 26.2.2005 amounting to Rs. 1250.03 lacs (Previous Year Rs. 1180.18 lacs) has been converted into Interest Free Loan as per Agreement executed with The Pradeshya Industrial & Investment Corporation of Uttar Pradesh Limited (PICUP). The said loan is repayable on the expiry of five years from the year of collection. The U.P. Trade Tax collected in March, 2005 amounting to Rs. 12.44 lacs (Previous Year Rs. 17.76 lacs), pending conversion into Interest Free Loan is included under the head "Current Liabilities".
- 15) The Company has recognised Deferred Tax Asset of Rs. 44752.06 lacs, which is only to the extent of Deferred Tax liabilities. The deferred tax asset on other accumulated losses and unabsorbed depreciation has not been recognized in view of prudence due to the fact that as at 31.3.2005 virtual certainty of availability of sufficient future taxable income is not there.
- 16) The Company and other consumers of natural gas on the HBU pipeline have been informed by Gas Authority of India Ltd. that prices of natural gas being supplied to the Company may be revised w.e.f. 1.4.2000. There is also a possibility of levy of excise duty and central sales tax on natural gas. The quantum of these liabilities is unascertainable and additional costs, if any, are reimbursable to the Company by the Government of India under retention price scheme for Urea.
- 17) Employee cost (Schedule XVI) and Administrative expenses (Schedule XIX) are net of Rs. 125.24 Lacs (Previous Year Rs. 248.43 lacs) being estimated amount of expenses incurred on behalf of a group company which have subsequently been reimbursed to the Company.
- 18) Financial Institutions have an option to convert a part of their term loans/debentures/preference shares (yet to be issued as given in notes 20(a)(i) & 20(b)(i) below) amounting to Rs. 38225.70 lacs (Previous Year Rs. 34711.41 lacs) into equity shares of the Company at any time during the currency of loan. Additionally, financial institutions also have a right to convert their loans/debentures/preference shares (yet to be issued as given in note 20(b)(i) below) amounting to Rs. 134720.40 lacs (Previous Year Rs. 128084.36 lacs) into equity shares in the event of default as stipulated in the respective loan agreements.
- 19) (a) In August 2003, a Debt Restructuring Scheme for secured loans, of DAP Division of the Company was approved by the Corporate Debt Restructuring Cell and all lenders, other than Unit Trust of India, subject to compliance of certain terms and conditions, which inter-alia include the following:
- Issue of Zero Percent Optionally Convertible Preference Shares (OCPS) as compensation for the interest reset (for the entire tenure of terms loans by the Financial Institutions/Banks estimated to be Rs. 10,651 lacs). Pending confirmation of the amount from respective lenders, the Company has provided for Rs. 4304.78 lacs (previous year Rs. 2188 lacs), being the net present value as on 1st April, 2003 of the amount of interest reduction for the years ended 31st March, 2004 and 31st March, 2005 required to be compensated in the above manner. Pending issue of Preference Shares, this amount has been included under 'Amount pending allotment/ adjustment against preference shares' (Schedule I).
 - The interest funded by the lenders in terms of Debt Restructuring Scheme has been converted into Funded Interest Term Loan (FITL). A sum of Rs. 7622.89 lacs (Previous year Rs. 12569.99 lacs) converted into FITL during the year is pending confirmation/reconciliation.
 - In April 2005, the CDR Cell has approved certain modifications to the existing Debt Restructuring Scheme. These modifications provide for among other reliefs, reduction in rates of interest on loans, deferral of payment of instalment etc. The accounts for the year 2004-05 have been drawn on the basis of these modifications although specific approvals from some lenders are yet to be received. In terms of the said modifications:
 - 50% of Funded Interest Term Loan (FITL) aggregating Rs. 228 crores is to be converted into Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) with a coupon rate of 0.01 % p.a. Pending reconciliation of amount of FITL to be converted into OCCRPS, 50% of the FITL balance as on 31.03.2005 amounting to Rs. 20500.80 lacs has been included under 'Amount pending allotment/ adjustment against preference shares' (Schedule I)
 - The coupon rate of 10%, 2,40,00,000 Redeemable Non Cumulative Preference Shares of Rs 100 each, has been brought down from 10% to 0.01% w.e.f. 1.4.2004 and the redemption period has been extended from 15 years to 20 years from date of issue i.e. 31st October 2001. However, these changes are subject to approval of the shareholders in the ensuing Annual General Meeting.

- ii) Interest during the year has been recognized as per modification to CDR package, which has resulted in interest provision for the year being lower by Rs. 7072.23 lacs.
- 20) Unit Trust of India (UTI) is not a participant in the Debt Restructuring Scheme and has filed an application for recovery in Debt Recovery Tribunal (DRT) against the company. The company has filed a petition u/s 391 of the Companies Act, 1956 before Hon'ble Allahabad High Court. Vide one of its orders Hon'ble Allahabad High Court has restrained the DRT from passing any order in respect of the interim/final relief prayed for by UTI. The said restraint is still effective. Redemption of debentures of Rs. 2,115.23 lacs (Previous Year Rs. 705.09 lacs) and interest thereon amounting to Rs. 4899.65 lacs (Previous Year Rs. 2791.32 lacs) is due as on 31.3.2005.

- 21) Earning Per Share (EPS) - Numerators and Denominators used to calculate basic and diluted earnings per share:

	Year ended March 31, 2005	Year ended March 31, 2004
Loss attributable to Equity Shareholders (Rs.) (A)	3,12,45,40,409	2,83,41,54,959
Basic/Weighted average of Equity Shares outstanding during the year (B)	25,68,00,159	25,66,08,759
Nominal Value of Equity Shares (Rs.)	10	10
Basic/Diluted Earning per share (Rs.) (A)/(B)	(12.17)	(11.04)

Note: None of the potential equity shares have dilutive effect in view of loss during the current year.

22) Related Party Disclosures

(A) Related parties and transactions with them as identified by the management are given below:

(a) Major Shareholders:

Mr. Abhey Oswal along with relatives and other associates holds 54.21% shares of the Company.

(b) Key Management Personnel and their relatives:

Mr. Anil Bhalia
Mr. Ranjan Sharma
Mrs. Poonam Sharma (Wife of Mr. Ranjan Sharma)
Mrs. Pratibha Bhalia (Wife of Mr. Anil Bhalia)
Mr. Atul Bhalia (Son of Mr. Anil Bhalia)

(c) Enterprises over which Major Shareholders, Key Management Personnel and their relatives have significant influence:-

Oswal Agro Mills Limited, Star Advertising Pvt. Limited, Aruna Abhey Oswal Trust, Lucky Star Entertainment Limited and Atul Properties Limited.

(B) Transactions with Related Parties in the ordinary course of business.

Type of Relationship	Nature of Transactions	Rs./Lakhs	
		2004-05	2003-04
a) Major Shareholders	Managerial Remuneration	37.57	35.26
	Profit/Loss in AOPs	(0.07)	(0.07)
b) Key Management Personnel & their relatives	Managerial Remuneration	70.54	77.45
	Rent paid	16.00	10.80
c) Enterprises over which major shareholders and key Management Personnel have significant influence	Rent paid	4.80	12.00
	Services availed	67.63	16.90
	Payments made by Company on their behalf	168.40	118.71
	Their share of common expenses	125.24	249.45
	Funds Received by Company	40.00	313.59
	Payments received by Company on their behalf	0.00	0.58
	Payments made on behalf of Company	0.14	11.68
	Payments received by others on behalf of Company	36.00	0.00
(C) Balance outstanding at year end			
a) Major Shareholders	Minority Interest	0.16	0.17
b) Enterprises over which major shareholders have significant influence	- Investments	4884.65	4884.65
	- Receivable	0.00	36.54
	- Payable	4.47	0.09
Unsecured loans		92.57	93.15
Stock in Trade		Nil	1.48

- 23) The Company is operating mainly under a single segment i.e. "Fertilizers", comprising of Urea and Di-ammonium phosphate. Although the Company has certain other units which are closed, the value of assets and liabilities of these units is not significant and therefore there is no reportable segment in terms of the provisions of AS 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

- 24) No amount has been transferred to Debenture Redemption Reserve in view of losses during the year.

- 25) Although the DAP plant has been incurring cash losses, remedial steps have been taken by the management by way of:

- Implementing the modifications/ remedial measures needed to achieve design capacity of the individual plants based on recommendations of the study carried out by Projects & Development India Ltd. (PDIL) on the capacity utilization of the DAP complex,
- Increasing the market share,
- restructuring the long term loans and
- reducing the interest cost.

Accordingly, the accounts have been prepared on a going concern basis.

- 26) Based on the estimated cash flow projections on management's best estimate of the set of economic conditions that will exist over the remaining useful life of the assets submitted and approved by Financial Institutions / Banks, the value in use of fixed assets of DAP plant is higher than its carrying value as at 31.3.2005 and hence no provision for impairment is deemed necessary as at 31.3.2005.

- 27) Previous year's figures have been re-grouped/re-arranged wherever necessary to conform to the current year's presentation.

Signatures to schedules I to XXII of consolidated Accounts

For and on behalf of the board

Place: New Delhi
Date: 27th July, 2005

H.K.Gupta
Company
Secretary

S P Arya
GM (Finance)

Anil Bhalia
Director
Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director