

BOARDS OF DIRECTORS

Shri Abhey Oswal - Chairman & Managing Director
Shri Anil Bhalla
Shri Ranjan Sharma
Shri P. Kumar
Shri A. Karati (Nominee of ICICI)
Shri S.C. Marwaha (Nominee of SBI)
Shri C.M. Bhargav (Nominee of LIC)
Shri S.C. Bhandari (Nominee of GIC)
Shri R. Loonkar (Nominee of IFCI)
Shri C.P. Philip (Nominee of IDBI)
Shri U.P. Singh (Nominee of UTI)

COMPANY SECRETARY

Shri H. K. Gupta

AUDITORS

M/s. Price Waterhouse
Chartered Accountants
New Delhi

BANKERS

State Bank of India
State Bank of Patiala
State Bank of Saurashtra
ICICI Bank Ltd.
Oriental Bank of Commerce
United Bank of India
Bank of Baroda

REGISTERED OFFICE

Village Piprola,
Jalalabad Road,
Shahjahanpur - 242 001 (U.P.)

WORKS

Shahjahanpur (U.P.)
Paradeep (Orissa)

REGISTRARS & SHARE TRANSFER AGENTS

Skyline Financial Services Pvt. Ltd.
123, Vinoba Puri, Lajpat Nagar-II
New Delhi - 110024
Ph.: 29833777, 29847136

OSWAL CHEMICALS & FERTILIZERS LIMITED

OSWAL

NOTICE OF THE MEETING

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of Oswal Chemicals & Fertilizers Limited will be held on Wednesday the 26th August, 2004 at 11.00 a.m. at the Registered Office of the Company at Village Piproti, Jalalabad Road, Sharihanpur - 242 001 (U.P.) to transact the following business:

ORDINARY BUSINESS:

- To receive, consider and adopt the Balance Sheet as at 31st March, 2004 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 Ranjan Sharma who retires by rotation and being eligible offers himself for re-appointment.
- To appoint a Director in place of Shri P. Kumar who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS:

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

"RESOLVED THAT M/s T.R. Chadha & Co., Chartered Accountants be and are hereby appointed as 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 in place of M/s Price Waterhouse, Chartered Accountants, who are retiring as Auditors of the Company at the conclusion of this Annual General Meeting and have expressed their inability to continue thereafter."

By Order of the Board
For OSWAL CHEMICALS & FERTILIZERS LIMITED

Place: New Delhi
Date: 30th July, 2004

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

NOTES

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HIMSELF 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 23rd August, 2004 to 25th August 2004 (both days inclusive).
- An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Item No. 4 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 compulsorily 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" or Central Depository Services Limited.
- 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 dematerialisation, 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.
- Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend which remains unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrants so far for the financial year ended 31st March, 1998 are requested to send their outdated dividend warrants for revalidation to the Company.
- 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.
- 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.
- Members holding shares in the dematerialized mode are requested to intimate all changes with respect to their Bank Details, Mandate, 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.
- 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 Ranjan Sharma is a Fellow Member of the Institute of Company Secretaries of India as well as the Institute of Cost and Works Accounts of India and also a Law Graduate. He is looking after Financial and Commercial Activities of the Company for the last 14 years. Shri Ranjan Sharma is having vast experience and has made valuable contribution in the growth of the Company. He is not a Director in any other body corporate. He is a member of (i) Share Transfer Committee and (ii) Investor Grievance Committee of your company.

Shri P. Kumar retired as Chief General Manager of IBI. He has worked with RBI and IBI for over 39 years in various capacities. He was handling project appraisal, monitoring, promotional and developmental activities. He is a Director, member of Audit Committee and Shareholders Grievance Committee in another company also. He is a member of Audit Committee 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 OF THE NOTICE.

ITEM NO. 4

M/s. Price Waterhouse, Chartered Accountants, New Delhi, the Auditors of the Company who are retiring after the conclusion of this Annual General Meeting have sent their letter stating that they do not wish to be considered for reappointment as Statutory Auditors for the financial year ending March 31, 2005. Accordingly, M/s T.R. Chadha & Co., Chartered Accountants, a reputed audit firm of New Delhi have consented to act as Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and have submitted a letter pursuant to section 224(1B) confirming their appointment as Auditors, if made, will be within the limit specified under section 224 (1B) of the Companies Act, 1956. As the retiring Auditors are not willing to be re-appointed in the Annual General Meeting, this item is being taken as special business pursuant to section 225 of the Companies Act, 1956.

The Board recommends this resolution for approval of the shareholders. None of the Directors is interested or concerned in this resolution.

By Order of the Board
For OSWAL CHEMICALS & FERTILIZERS LIMITED

Place : New Delhi
Date : 30th July, 2004

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

DIRECTORS' REPORT

To,
The Members

Your Directors present the Twenty Second Annual Report along with Audited Statement of Accounts for the Financial year ended 31st March, 2004.

FINANCIAL RESULTS

	(Rs.in Lacs)	
	2003-2004	2002-2003
Gross Profit/(Loss) before depreciation and tax	(10690)	(15839)
Depreciation	(17545)	(18843)
Profit/(Loss) before Tax	(28235)	(34682)
Deferred Tax Credit (written off)/provided	(102)	12635
Profit/(Loss) after Deferred Taxation	(28337)	(22047)
Add : Balance brought forward from last year	(28500)	(6453)
Balance in Profit & Loss Account	(56837)	(28500)

REVIEW OF OPERATIONS

UREA DIVISION

The working of Urea Division has resulted into a cash profit of Rs.192.72 Crs. and net profit of Rs.139.59 Crs. during the year under review as against cash profit of Rs.119.05 Crs. and net profit of Rs.55.16 Crs. respectively during the previous year. The increase in profit in Urea Division was mainly attributable to the following factors:

- Increase in production from 8.14 lacs MT to 8.58 lac MT.
- Increase in sales from 7.78 lac MT to 9.01 lac MT and consequent reduction in closing stocks.
- Reduction in selling expenses from Rs.43.44 Crores to Rs.23.17 Crores despite higher volume of sales.
- Recovery of escalation claim on inputs for the previous year amounting to Rs.29.34 Crores.
- Reduction in interest on term loans from Rs.27.53 Crores to Rs.10.61 Crores.

DAP DIVISION

During the year under review the Di-Ammonium Phosphate (DAP) Plant remained shutdown till Nov.2003 due to high level of inventory of finished goods. Therefore, the plant produced only 3.31 lac MT of DAP/MP as against 7.17 lac MT of DAP during the previous year. The shutdown of the plant and consequent lower production and sales has resulted into a cash loss of Rs.299.71 Crs. during the year as against a cash loss of Rs.274.44 Crs. during the previous year. The net loss after depreciation for the year is Rs.418.18 Crs. as against Rs.393.44 Crs. during the previous year.

OVERALL

The sales/turnover was lower at Rs.1230.74 Crores as compared to Rs.1257.25 Crores during previous year. The year ended with a net loss of Rs.283.37 Crores as against the net loss of Rs.346.82 Crores during previous year.

FUTURE PLANS

Plans are under consideration to maximize production of Urea at the Shahjahanpur plant by carrying out a de-bottlenecking exercise and by installation of balancing equipments wherever required. Constant efforts are also being made to reduce energy consumption levels so as to further improve the profitability of Urea operations.

In the DAP plant at Paradeep, the shutdown period was utilized to carry out the required

modifications in the Sulphuric Acid Plant so as to improve the capacity utilization levels. Efforts are also being made to improve the recovery of phosphoric acid from rock phosphate so as to reduce the overall raw material costs. The management is confident that given favourable demand scenario for phosphatic fertilizers in the country, the operations at Paradeep will soon become profitable.

DIVIDEND

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

DIRECTORS

Shri Ranjan Sharma and Shri P. Kumar who retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS

M/s Price Waterhouse, Chartered Accountants, who are holding office as Auditors of the company upto the conclusion of the ensuing Annual General Meeting have expressed their inability to continue thereafter.

It is proposed to appoint M/s T.R.Chadha & Co., Chartered Accountants as Auditors in place of M/s Price Waterhouse to hold office from the conclusion of ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. A consent letter from M/s T. R. Chadha & Co. has been received to the effect that their appointment as Auditors, if made, in the Annual General Meeting shall be in accordance with the limits specified in section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

The Auditors' report on audited accounts for the year 2003-04 contains qualifications regarding disputed income tax demands, import pass fee on industrial alcohol, subsidy refund due to downward revision of retention price for earlier years which has been stayed by Hon'ble Delhi High Court, non provision of doubtful debts and approval of Central Govt. for payment of managerial remuneration.

The management is of the view that necessary adjustment in respect of disputed income tax demand and import pass fee will be made in the accounts as and when the said liabilities crystallize. Provision for subsidy refundable will be made as and when the matter pending with Hon'ble Delhi High Court is finally decided. The management is confident that all debtors are fully realizable. 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:

- That in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation in case of material departures;
- 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, 2004 and of the profit/loss of the company for the year ended on 31st March, 2004.
- 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.
- 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 and Analysis are enclosed as Annexures - III & IV.

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 : 30th July, 2004

(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, 2004.

1 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

1) Electricity	Unit	2003-04	2002-03
(a) Purchased			
Units	MWH	12107	38104
Total Amount	Rs./Lacs	817.55	2081.48
Rate/Unit	Rs./KWH	6.753	5.46
(b) Own Generation			
(i) Through Gas Turbine			
Quantity (Gross)	MWH	122407	115471
Units Per SM ³ of Gas	KWH/SM ³	6.98	4.59
Cost/Unit	Rs./KWH	0.59	0.89
(ii) Through Waste heat boiler steam generated from sulphur plant in DAP Unit			
Units	KWH	124859	200259
2) Fuel Consumption			
(a) Natural Gas (Ammonia-fuel, Power & Steam)			
Quantity	'000SM ³	111126	190330
Total Cost	Rs./Lacs	4572.77	7768.06
Rate/Unit	Rs./'000SM ³	4114.93	4081.37
(b) Naptha (Steam and Ammonia - Fuel)			
Quantity	MT	114101	43294
Total Cost	Rs./Lacs	17769.67	6568.57
Cost/Unit	Rs./MT	15573	15196.66
(c) Furnace Oil			
Quantity	K Litre	2589	9143
Total Cost	Rs./Lacs	334.98	1149.21
Cost/Unit	Rs./Litre	12.93	12.57
(d) Coal			
Quantity	MT	145573	131615
Total cost	Rs./Lacs	13611.22	1130.71
Cost/Unit	Rs./MT	935.08	856.10
(e) H.S.D.			
Quantity	KL	1102	1282.36
Total Cost	Rs./Lacs	211.37	220.41
Cost/Unit	Rs./Litre	19.16	17.19

CONSUMPTION PER UNIT OF PRODUCTION

(i) Urea	Litre/MT	0.04	0.01
H.S.D.	SM ³ /MT	129.55	233.68
Natural Gas (Ammonia-Fuel, Power & Steam)	Kgs./MT	133.02	53.07
Naptha (Steam and Ammonia - Fuel)			
(ii) DAP			
Electricity	KWH/MT	413.59	332.32
Furnace Oil	Litre/MT	7.82	12.75
HSD	Litre/MT	3.23	7.76
Coal	Kgs/MT	439.96	359.59

2 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 thereof and future plan of action**

III FOREIGN EXCHANGE EARNING AND OUTGO:

- (a) **Total foreign exchange used and earned**

Used
Earned

In Phosphoric Acid Plant at Paradeep, a study has been conducted on Yarn Fertilizer Technology to produce phosphoric acid with 42% P₂O₅ which can be used directly for production of DAP. Under this technology, the use of evaporators will not be required which will save the consumption of steam.

Phosphoric acid having 42% P₂O₅ contains less solids and reduced amount of iron oxide which is suitable for being directly used for production of DAP. Under this process, the use of steam for concentrating weak acid to strong acid in production of DAP is avoided.

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

	2003-04	Rs. in Lacs 2002-03
	33785.63	41628.91
	Nil	Nil

For and on behalf of the Board

Chairman & Managing Director

Chairman & Managing 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, 2004

S.NO.	NAME	DESIGNATION	AGE (Yrs)	QUALIFICATION	REMUNERATION AMOUNT (RS.)	DATE OF COMMENCEMENT OF EMPLOYMENT	EXPERIENCE (Yrs.)	LAST EMPLOYMENT HELD & DESIGNATION
1	Bhatia Anil	Director	54	B.Com	3872400/-	01.07.2000	33	Director, Oswal Agro Mills Ltd.
2	Oswal A.K.	Chairman & Managing Director	55	B.Com	3525099/-	01.09.1995	34	Managing Director, Oswal Agro Fertilizer Ltd.
3	Sharma Ranjan	Director-Finance	45	B.Com, FICWA, FCS, LLB	3872400/-	01.05.1990	28	Chief Executive, Oswal Agro Fertilizer Ltd.

- (i) Remuneration as shown above includes Salary, Allowances, Medical reimbursement, Leave Travel Allowance, Company's Contribution to Provident Fund & monetary value of Perquisites.
 (ii) All the above employees are whole time Directors and non of them is related to each other.
 (iii) All appointments are contractual.

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

To The Members,
 Oswal Chemicals & Fertilizers Limited,

We have reviewed the implementation of Corporate Governance procedures by Oswal Chemicals & Fertilizers Limited during the year ended March 31, 2004, 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 a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 1 below, -

- (1) The minutes of audit committee do not reveal review being performed if any, of the Company's financial and risk management policies by audit committee and further that the Chairman of the audit committee has not attended the annual general meeting held on September 13, 2003;

been complied with in all material respects by the Company and that 32 investor grievances are pending for a period exceeding one month against the Company as certified by the share transfer agent of the Company.

Anupam Dhawan
 Partner
 Membership No. F-064451
 For and on behalf of
 Price Waterhouse
 Chartered Accountants

Place : New Delhi
 Date : July 30, 2004

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, 2004, 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 the Directors	Position	Category of Director	No. of Directorship of other Companies.	No. of Membership in Board Committee	
					Chairman	Member
1	Shri Anshu Oswal	Chairman & Managing Director	Executive Director	1	NIL	NIL
2	Shri Anil Bhatia	Whole-Time Director	- do -	2	NIL	NIL
3	Shri Ranjan Sharma	Director (Finance)	- do -	NIL	NIL	NIL
4	Shri P. Kumar	Independent Director	Non Executive Independent Director	1	NIL	2
5	Shri A. Karali	ICICI Nominee	- do -	8	NIL	3
6	Shri S.C. Marwaha	SBI Nominee	- do -	2	NIL	1
7	Shri C.M. Bhargava	UIC Nominee	- do -	NIL	NIL	NIL
8	Shri S.C. Bhandari	GIC Nominee	- do -	2	NIL	NIL
9	Shri U.P. Singh	UTI Nominee	- do -	3	NIL	4
10	Shri R. Loonkar	IFCI Nominee	- do -	3	NIL	3
11	Shri C.P. Philip	IDBI Nominee	- do -	2	NIL	4

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 Meeting Held	No. of Board Meeting Attended	Whether attended Last AGM.
Executive Directors			
Shri Abhey Oswal	5	5	NO
Shri Anil Bhatta	5	2	NO
Shri Ranjan Sharma	5	5	YES
Non-Executive Directors			
Shri P. Kumar	5	5	YES
Shri S.C. Marwaha (SBI)	5	6	NO
Shri A. Karati (ICICI)	5	4	NO
Shri C.M. Bhargava (LIC)	5	5	NO
Shri S.C. Bhandari (GIC)	5	5	NO
Shri U.P. Singh (UTI)	5	6	NO
Shri R. Loonker (IFCI)	5	5	NO
Shri C.P. Philip (IDBI)	5	5	NO

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

Date of Board Meetings

30.05.2003, 28.06.2003, 30.07.2003, 31.10.2003, 31.01.2004 & 27.03.2004

3. COMMITTEES OF BOARD OF DIRECTORS:

The Board of Directors had constituted 4 Committees of the Board, namely Share Transfer Committee, Audit Committee, Investors Grievance Committee and Remuneration Committee. The Committees meet as often as required. The details of Committees and meetings thereof are as follows.

SHARE TRANSFER COMMITTEE

Detail 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).	Shri Abhey Oswal	21	19
Issue of Duplicate/Consolidated/Split/De/face/Remet Share Certificates etc.	Shri Anil Bhatta	21	20
	Shri Ranjan Sharma	21	18

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 and 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 advice and any information from the Employees of the Company or outsiders having expertise as may be deemed necessary.

Details of Meetings held

Members	No. of Meetings held	No. of Meetings attended
Shri A. Karati, (Chairman)	4	3
Shri P. Kumar	4	4
Shri S.C. Marwaha	4	4
Shri R. Loonker	4	3

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:

Members	No. of Meetings held	No. of Meetings attended
Shri A. Karati	4	2
Shri Anil Bhatta	4	2
Shri Ranjan Sharma	4	4

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 whole-time Directors. No meeting of remuneration committee was held during the year under review.

4. COMPLIANCE OFFICER:

Shri H.K. Gupta, Company Secretary is the Compliance Officer.

5. SHAREHOLDERS COMPLAINTS:

No. of complaints received During 01-04-2003 to 31-03-2004	No. of complaints resolved to the satisfaction of shareholders	No. of pending transfer of shares
1185	1135*	NIL**

* Remaining complaints were redressed during the Month of April & May 2004.

** 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	2000-2001	2001-2002	2002-2003
Date & Time	29.09.2001 11:00 A.M.	21.09.2002 11:00 A.M.	13.09.2003 11:00 A.M.
Venue	Village & P.O. Piprola, Jalalabad Road, Shahjahanpur-242 001 (UP)		
No. of Special Resolutions Passed	1	NIL	7

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 Oswalfer.com. Quarterly 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 Auditors 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 in their Annual general Meeting held on 13.09.2003. The said remuneration is within the revised limit of minimum remuneration in case of inadequacy or no 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, 2004 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/-	15,09,099/-	NIL
2	Shri Anil Bhatta	18,00,000/-	2,16,000/-	18,56,400/-	NIL
3	Shri Ranjan Sharma	18,00,000/-	2,16,000/-	18,56,400/-	NIL
4	Shri P. Kumar	NIL	NIL	NIL	50,000/-
NOMINEE DIRECTORS					
5	Shri S.C. Marwaha	NIL	NIL	NIL	50,000/-
6	Shri A. Karati	NIL	NIL	NIL	35,000/-
7	Shri C.M. Bhargav	NIL	NIL	NIL	25,000/-
8	Shri S. C. Bhandari	NIL	NIL	NIL	25,000/-
9	Shri U.P. Singh	NIL	NIL	NIL	30,000/-
10	Shri R. Loonkar	NIL	NIL	NIL	40,000/-
11	Shri C.P. Philip	NIL	NIL	NIL	25,000/-

11. GENERAL SHAREHOLDERS' INFORMATION:

Annual General Meeting is proposed to be held

Date	25 th August, 2004.
Venue	Village & P.O. Piprola, Jalalabad Road, Shahjahanpur - 242 001 (U.P.).
Book Closure Date	23 rd August, 2004 to 25 th August, 2004.
Dividend Payment	Due to net loss, the directors have not proposed any dividend for the Financial year ended 31 st March, 2004.

12. (a) FINANCIAL CALENDER

Unaudited Financial Results for the quarter ended	Tentative Dates
30.06.2004	4 th Week of July, 2004
30.09.2004	4 th week of Oct, 2004
31.12.2004	4 th week of Jan, 2005
31.03.2005	4 th week of April, 2005
Next Annual General Meeting	Last week of August, 2004

(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 UP Stock Exchange Association Ltd. Padam Towers, 14/13, Civil Lines, Kanpur-206 001	500277
2*	The Delhi Stock Exchange Association Ltd. DSE House, 3/1, Asaf Ali Road, New Delhi-110 002.	00005
3*	The Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata-700 001	10025044
4*	Madras Stock Exchange Limited, 11 Second Line Beach, Chennai-600 001	Not available
5*	The Stock Exchange-Mumbai Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai-400 001	500063
6*	The Ludhiana Stock Exchange Association Ltd. Feroze Gandhi Market, Ludhiana-141 001	OCFL
7*	The Stock Exchange Ahmedabad, Kamdhenu Complex, Opp. Shahjahan College, Panjarapole, Ahmedabad-380 015	Not available
8	National Stock Exchange of India Ltd. Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051	Bindal Agro

Annual Listing fee for the year 2003-2004 was paid to National Stock Exchange of India Ltd.

* Pursuant to SEBI guidelines, 2003 for voluntary delisting of securities, applications for delisting of securities of the the company are pending with the Stock Exchanges as given above.

(c) MARKET PRICE DATA

(Figures in Rs.)

Month	Bombay Stock Exchange		National Stock Exchange	
	HIGH	LOW	HIGH	LOW
April, 2003	4.10	3.30	4.70	3.15
May, 2003	5.00	3.35	4.95	3.30
June, 2003	5.95	4.35	6.95	4.40
July, 2003	7.01	5.00	7.40	5.00
August, 2003	11.80	5.50	9.85	5.60
September, 2003	7.85	4.45	7.75	6.05
October, 2003	4.85	3.91	-	-
November, 2003	8.25	3.81	-	-
December, 2003	8.45	5.97	8.50	7.75
January, 2004	8.50	5.51	8.65	5.50
February, 2004	6.30	5.20	6.30	5.15
March, 2004	5.45	3.55	5.50	4.00

(d) REGISTRAR & SHARE TRANSFER AGENT

Skyline Financial Services Pvt. Ltd.
123, Vinoba Puri, Lajpat Nagar - II
New Delhi - 110 024
Phone No. 29833777, 29847136

(e) SHARE TRANSFER SYSTEM

M/s Skyline Financial Services Pvt Ltd. is working as Registrar & Share Transfer agent of the Company. The Share Transfer requests received in physical form are registered within 30 days from the date of lodgment of Shares and demat requests received from the Depository Participants are processed within 21 days from the date of receipt.

(f) DISTRIBUTION OF SHAREHOLDING AS ON 31.3.2004

No. of Shares	No. of Shares held	%	No. of Shareholders	%
1-500	51370611	20.00	318332	94.12
501-1000	9604911	3.74	13271	3.92
1001-2000	5931557	2.31	4099	1.21
2001-3000	2523945	0.99	999	0.30
3001-4000	1376263	0.53	360	0.12
4001-5000	1511370	0.59	325	0.10
5001-10000	3188283	1.24	440	0.13
10001-and above	181296318	70.80	347	0.10
TOTAL	256809159	100.00	338203	100.00

59 SHAREHOLDING PATTERN AS ON 31.3.2004

Category	No. of Shares	%age of holding
A Promoters and Associates	13,92,07,452	54.21
B Banks, Financial Institutions and Mutual Funds	2,63,39,983	10.26
C Indian Public	8,55,99,145	33.33
D NR/OCB/FII's	56,62,579	2.20
TOTAL	25,68,09,159	100.00

(h) DEMATIALISATION 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 72.65% of the Equity Share Capital of the company has been demat till 31.3.2004. The shares of the Company are traded in Demat mode under ISIN Number (INE 143A01010)

(i) PLANT LOCATIONS

1) **Urea Division :**
Regd. Office : Village Piprola
Jalalabad Road
Shahjahanpur-242 001 (UP)

2) **Phosphatic Fertilizer Division :**
Village Musodia
Distt. Jagat Singh Pur
Paradeep (Orissa) - 754 142.

(j) INVESTORS' CORRESPONDENCE

The investors/shareholders may make correspondence for

a) Transfer and dematerialisation of shares.

b) Non-receipt of dividend.

c) Query relating to Annual Report.

d) Query relating to any other matter for the shares held in the company at the following address :

SKYLINE FINANCIAL SERVICES PVT LTD.

(Registrars & 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.

MANAGEMENT DISCUSSION & ANALYSIS

Annexure IV

1. OVERVIEW

The demand for fertilizers in the country is directly linked to the health of agricultural sector, which, as is well known, has been passing through a difficult phase in the recent past. The output of agricultural sector, mainly foodgrains and oilseeds, has failed to reach the targeted levels due to several reasons. This has resulted in virtually nil growth in the demand for Urea and negative growth for DAP in the last few years. As a result, supply continues to outstrip the consumption as of now. However, a few good monsoons coupled with measures being planned for the well being of farmers could alter the scenario and improve the demand for fertilizers in the country.

2. SEGMENT WISE PERFORMANCE

Urea Plant

The operation of Urea plant continues to be satisfactory. Availability of natural gas from GAIL was not sufficient during the year causing utilization of high cost naphtha to supplement the fuel requirements. However, it is hoped that gas supply constraints will soon be taken care of with the availability of LNG on the west coast.

Price realization levels for Urea improved as compared to the previous year due to reduction in inventory carrying costs.

The Group Concession Scheme for Urea plants announced by the Government of India came into effect from April, 2003. This scheme replaces the Unit-wise retention pricing scheme which was in force since 1977 in the Urea sector.

Taking advantage of the Govt's policy, your company proposes to debottleneck and revamp the Urea plant at Shahjahanpur to marginally increase its capacity and improve the energy consumption levels in order to further enhance the profitability of Urea operations.

DAP Plant

The DAP plant remained shutdown for about seven months during the year due to high levels of inventory and receivables. The shutdown period was utilized to revamp the Sulphuric Acid Plant so as to increase the capacity utilization of the plant.

Ocean freights for dry bulk cargo touched unprecedented levels during the year pushing up the prices of key raw materials viz. rock phosphate and sulphur. Since the concession on phosphatic fertilizers is calculated on the price of imported phosphoric acid, the increase in the prices of rock phosphate and sulphur had to be borne by the company, reducing the profitability of operations. This situation is, however, likely to be rectified during the year 2004-05 when the revised prices of phosphoric acid are taken into account for the purpose of calculation of concession.

The Government of India also finalized the new scheme of concession for DAP effective from April, 2003 based on the recommendations of Tariff Commission.

3. HUMAN RELATIONS

Industrial relations at various locations of the company remain cordial. The management is constantly taking steps to equip and train employees at all levels to shoulder greater responsibilities. Total number of employees as on March 31, 2004 were 2452.

4. INTERNAL CONTROL SYSTEMS

The company has internal control systems in place. Internal audit is being carried out by rotation at various operational areas and departments. The audit reports receive highest priority by the management and are placed with management replies before the Audit Committee comprising of independent nominees on the Board of the company. Periodic review and follow up of audit observations is carried out to ensure their implementation.

5. RISKS AND CONCERNS

The fertilizer business in India is among the most regulated - production, distribution and pricing still being largely decided by the Government. The fertilizer industry, caught between rising input costs on the one hand and the government's compulsion to continue to make fertilizers available at affordable prices on the other, continues to suffer from under-recoveries of reasonable costs of production. The fertilizer business and its profitability is critically dependent on policies of the government.

Another obvious risk in fertilizer business is the timely arrival and adequacy of monsoons in the country. Apart from demand, this factor affects the cash flows as well as interest costs as working capital needs of fertilizer companies go up.

In case of phosphatic segment, all the raw materials are imported and the risks pertain to raw material costs, ocean freights and exchange rate fluctuations.

6. OPPORTUNITY AND OUTLOOK

With new fertilizer policies in place for both Urea and DAP sectors, it is clear that low cost producers will emerge successful in times to come, especially when the era of decontrol dawns. Both the plants of your company command the advantage of economies of scale and employ state-of-the-art technologies resulting in low variable costs. With the government's focus on agriculture sector, it is hoped that the lot of farmers will improve thereby pushing up the consumption of fertilizers. While the financial situation of your company in the short term is under stress, the directors are confident of a positive outlook in the medium to long term.

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, 2004, 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 the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (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 paragraph 5.4 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 received from the Directors of the Company other than Nominee Directors who are exempt, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2004 from being appointed as a director 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-27 on schedule XXII regarding the preparation of these accounts on a going concern basis, and subject to our comments in paragraphs 5.1 to 5.7 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, 2004;
- (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 Non-provision of disputed income tax demands, including demands pertaining to assessment year 1995-96, 1998-99, 1999-2000, 2000-2001 & 2001-02 amounting to Rs. 1,935.03 lacs (net of provision), as stated in note 4(a) & (b) on schedule XXII.

5.2 Non-provision of import pass fees amounting to Rs. 42.85 lacs on industrial alcohol as stated in note 3 (iii) on schedule XXII.

5.3 Non-ascertainment and non-provision of doubtful debts, if any, out of debts outstanding for more than six months.

5.4 Note 9 on schedule XXII regarding non-reconciliations of accounts with the suppliers of DAP division and interest payable to erstwhile debenture/bond holders and payments made to them based only on their claims.

5.5 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. 21,788.92 lacs, the ultimate liability of which could not be readily ascertained.

5.6 Note 21 on schedule XXII regarding issuance of preference shares for Rs. 2,186 lacs and conversion of interest into funded interest term loan amounting to Rs. 12,569.99 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.

5.7 Note 11(b) of Schedule XXII regarding managerial remuneration amounting to Rs. 112.71 lacs paid to directors, being subject to approval of Central Government.

We further report that without considering our comments in paragraphs 5.4 to 5.6 above the impact of which we are unable to quantify and our comments in paragraph 5.7 above

being a legal matter and after considering adjustments arising on account of our comments in paragraphs 5.1 and 5.2 above, to the extent quantifiable, would result in the loss before tax expense of Rs. 28,277.80 lacs as against Rs. 28,234.95 lacs and in the loss after taxation of Rs. 30,314.79 lacs as against Rs. 28,336.91 lacs as shown in the Profit and Loss Account. Consequently, net current assets would change to Rs. 60,492.37 lacs as against Rs. 62,470.25 lacs and debit balance in profit and loss account would change to Rs. 58,814.63 lacs as against Rs. 56,836.75 lacs as shown in the Balance Sheet.

Anubam Dhawan
Partner

Membership No. F084451

For and on behalf of

Price Waterhouse
Dated: June 29, 2004 Chartered Accountants

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Oswal Chemicals & Fertilizers Limited on the financial statements for the year ended March 31, 2004]

- 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 division over a period of two years which in our opinion is reasonable. However, during the year, the Company has not performed the physical verification of furniture and fixtures for its Urea and DAP divisions, due this year as per the phased programme. Accordingly, we are unable to comment on discrepancies, if any, that may arise on their subsequent physical verification.
- c) In our opinion and according to the information and explanations given to us, a 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. 1839.30 lacs) has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. In respect of inventory lying with third parties, stocks aggregating Rs. 1839.30 lacs have been confirmed.
- 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) & (d) 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) a) 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.
- b) 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 (d) 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.
- 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, excise duty and cess as at March 31, 2004 which have not been deposited on account of a dispute, are as follows:-

Name of the statute	Nature of dues	Amount (Rs. lacs)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income tax including interest	2,101.16	Assessment Years 1998-99 and 2000-01	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income tax including interest	237.80	Assessment Year 2001-02	Commissioner of Income Tax (Appeals)
Wealth Tax Act, 1957	Wealth tax including interest	1.25	Assessment Year 1999-00 and 2001-02	Income Tax Appellate Tribunal
Orissa Sales Act, 1947	Sales tax including interest	199.68	June 30, 2000 to March 31, 2002	Hon'ble High Court of Orissa
Bihar Finance Act, 1981	Sales Tax including interest and penalty	184.68	Financial Year 2000-01, 2001-02, 2002-03	Deputy Commissioner

- x) The accumulated losses of the Company as at March 31, 2004 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 dues to financial institutions/banks/debenture holders during the year. Details of such outstanding dues including the period and amount of default is given below:-

Bank/Financial Institution/ Debenture holders	Amount of Default (Rs. lacs)	Period of Default (days)	Remarks
Financial Institutions (various)	11,739.87	various amounts ranging from 2 to 567 days	Unpaid Rs. 2.03 lacs which is disputed
Debenture holders (UTI)	3,662.90	various amounts ranging from 12 to 639 days	Rs. 3,504.44 lacs unpaid, out of which Rs. 8.05 lacs is disputed

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 fund/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 21 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 long term basis to the extent of Rs. 17,893.25 lacs, have been used to finance short term assets (other than 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 has 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.

Anupam Dhawan
Partner

OSWAL CHEMICALS & FERTILIZERS LIMITED

OSWAL

Balance Sheet As At 31st March 2004

Particulars	Schedule No.	As At 31.03.2004	As At 31.03.2003
		(Rs.in Lacs)	(Rs.in Lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	I	49,680.92	49,680.92
Reserves & Surplus	II	54,662.84	54,662.84
		104,343.76	104,343.76
Loan Funds			
Secured Loans	III	249,036.02	242,302.84
		353,379.78	346,646.60
Application Of Funds			
Fixed Assets	IV		
Gross Block		369,661.11	368,218.52
Less: Depreciation		147,615.53	130,248.37
Net Block		222,045.58	237,970.15
Capital Work In Progress		6,072.65	5,489.58
		228,118.23	243,459.73
Investments	V	4,908.44	5,127.72
Deferred Tax Asset (net)	VI		101.96
Current Assets, Loans & Advances			
Inventories	VII	39,660.34	40,388.42
Sundry Debtors	VIII	47,105.31	46,318.27
Cash & Bank Balances	IX	2,734.45	2,071.11
Loans & Advances	X	3,592.29	4,119.61
		93,092.39	92,897.41
Less: Current Liabilities & Provisions			
Current Liabilities	XI	29,323.69	24,096.03
Provisions	XII	1,298.45	913.19
		30,622.14	25,009.22
Net Current Assets		62,470.25	67,888.19
Miscellaneous Expenditure			
(To the extent not written off or adjusted)			
Deferred Revenue Expenditure		1,046.11	1,569.16
(Note 10 on schedule XXII)			
Profit & Loss Account		56,836.75	28,499.84
		353,379.78	346,646.60

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

Anupam Dhawan
Partner
Membership No. F084451
For and on Behalf of
Price Waterhouse
Chartered Accountants
Place: New Delhi
Dated: 29th June, 2004

H.K. Gupta
Company
Secretary

SP Arya
GM (Finance)

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

PROFIT & LOSS ACCOUNT **For the year ended 31st March 2004**

Particulars	Schedule No.	For the Year Ended on 31.03.2004	For the Year Ended on 31.3.2003
		(Rs.in Lacs)	(Rs.in Lacs)
Income			
Sales (Note 8 on schedule XXII)		120,884.36	124,575.53
Other Income	XXII	2,189.59	1,149.96
		<u>123,073.95</u>	<u>125,725.49</u>
Expenditure			
Raw Material Consumption	XIV	45,894.20	59,770.19
Other Manufacturing Expenses	XV	34,167.57	28,348.49
Employees' Cost	XVI	3,017.47	3,500.20
Selling Expenses	XVII	12,164.77	19,809.42
Finance Expenses	XVIII	30,273.63	35,500.82
Depreciation		17,545.01	18,843.03
Administration Expenses	XIX	4,069.32	4,124.04
Adjustments due to (Increase)/Decrease in Stock of Finished Goods and Work In Progress	XX	3,467.50	(10,514.83)
		<u>150,599.47</u>	<u>159,381.36</u>
Loss before Prior Period Adjustments and Taxation		(27,525.52)	(33,655.87)
Prior Period Adjustments	XXI	709.43	1,026.12
Loss before Tax Expense		<u>(28,234.95)</u>	<u>(34,681.99)</u>
Tax Expense		-	-
-Deferred Tax Asset (Note 16 on schedule XXII)		-	(12,634.94)
- Deferred Tax Asset (Net) of earlier year written off (Note 16 on schedule XXII)		101.96	-
Loss after Tax Expense		(28,336.91)	(22,047.05)
Loss brought forward from Previous Year		(28,499.84)	(6,452.79)
Balance Carried to Balance Sheet		<u>(56,836.75)</u>	<u>(28,499.84)</u>
Earning Per Share (Nominal value of Rs.10 each)			
Basic / Diluted (Note 23 on Schedule XXII) (Rs.)		(11.03)	(8.58)
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

Anupam Dhawan
Partner
Membership No. F 084451
For and on Behalf of
Price Waterhouse
Chartered Accountants
Place: New Delhi
Dated: 29th June, 2004

H.K. Gupta
Company
Secretary

S.P. Anya
GM (Finance)

Anil Bhatta
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

	Year Ended March 31, 2004 Amount (Rs. lacs)	Year Ended March 31, 2003 Amount (Rs. lacs)
A. Cash flow from operating activities :		
Net loss before tax	(28,234.95)	(34,681.99)
Adjustments for:		
Depreciation	17,586.72	18,843.06
Finance Expense	30,582.83	35,500.82
Interest Income	(404.10)	(184.35)
(Profit)/Loss on sale/write off of Fixed Assets/CWIP	834.47	3.13
Deferred revenue expenditure written off	523.05	523.05
Loss/(Profit) on sale/write off of Investment	112.54	-
Liability no longer required written back	(668.61)	(195.64)
TDS on Rent	-	(7.94)
Unrealised Foreign Exchange Fluctuation	(65.95)	322.98
Provision/write off for bad & doubtful debts/advances	134.38	18.84
Provision for Gratuity & Leave Encashment	88.53	33.05
Provision for Inventory for obsolete/ damaged stock	-	238.41
Prior Period Expenses/(Income) (Net)	358.52	1,026.11
Wealth Tax Provision	17.97	4.70
Operating profit before working capital changes	20,865.20	21,444.22
Adjustments for changes in working capital :		
- (Increase)/Decrease in Sundry Debtors	(787.04)	19,592.79
- (Increase)/Decrease in Other Receivables	387.20	(140.48)
- (Increase)/Decrease in Inventories	728.08	(7,326.87)
- Increase/(Decrease) in Trade and Other Payables	5,168.47	(7,913.37)
- Increase/(Decrease) in Net Current Assets	5,498.71	4,212.07
Cash generated from operations	26,363.91	25,556.29
- Prior Period (Expenses)/Income (Net)	(358.52)	(882.70)
- Wealth Tax Paid	(4.70)	(4.26)
- Taxes Refund	314.21	78.24
Net cash from operating activities	26,312.90	24,847.57
B. Cash flow from investing activities:		
Purchase of fixed assets	(3,445.75)	(1,702.34)
Proceeds from Sale of fixed assets	366.06	10.15
(Purchase)/Sale of investments	106.74	(15.00)
Interest Received (Revenue)	379.09	161.28
Net cash used in investing activities	(2,593.86)	(1,545.91)
C. Cash flow from financing activities:		
Proceeds from long term borrowings	1,856.95	1,216.59
Repayments of long term borrowings	(12,511.53)	(6,559.31)
Proceeds (Repayments) from short term borrowings/cash credit	(4,880.78)	5,647.00
Finance Expense Paid	(7,320.13)	(24,781.92)
Dividend Paid	(0.21)	(24.63)
Net cash used in financing activities	(23,055.70)	(24,502.27)
Net Increase/(Decrease) in Cash & Cash Equivalents	663.34	(1,200.61)
Cash and cash equivalents as at 31.03.2003	2,071.11	3,271.72
Cash and Bank balances	2,071.11	3,271.72
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

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. 41.26 lacs (Previous Year Rs. 41.26 lacs) and Rs 2321.16 (Previous Year Rs. 1269.72 lacs) against the margin money for Bank guarantees and Rs.33.79 lacs (Previous year Rs. 28.93 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.30.75 Lacs (Previous Year Rs.46.75 Lacs)
 - Interest on long term loans amounting Rs. NIL (Previous year Rs.1.04 lacs) adjusted against the proceeds from loans.

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

Notes to accounts (Schedule XXII) forms an integral Part of the Cash Flow Statement For and on behalf of the Board

Anupam Dhawan
Partner
Membership No. F 084451
For and on Behalf of
Price Waterhouse
Chartered Accountants
Place: New Delhi
Dated: 29th June, 2004

H.K. Gupta
Company
Secretary

S.P. Arya
GM (Finance)

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

Schedules to Accounts

Schedule I	As At 31.03.2004 (Rs.in Lacs)	As At 31.03.2003 (Rs.in Lacs)
Share Capital (Note 17 On schedule XXII)		
Authorised:		
375,000,000 (Previous Year 325,000,000)		
Equity Shares of Rs.10/- each	37,500.00	32,500.00
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 Nil) Zero Percent Optional Convertible Preference Shares of Rs.100/-each	12,500.00	-
	<u>77,500.00</u>	<u>60,000.00</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) 10%Redeemable Non Cumulative Preference Shares of Rs.100 each, fully paid up, redeemable on the expiry of 15 years from the date of allotment i.e., 31st October 2001	24,000.00	24,000.00
	<u>49,680.92</u>	<u>49,680.92</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 26 on Schedule XXII

Schedule III**Secured Loans** (Note 15,17 and 21 on Schedule XXII)**A Debtentures**

i) 11,00,000(Previous Year 11,00,000) 19.5% Secured Non-Convertible Redeemable Debtentures of Rs.100/- each Fully Paid up outstanding amount Rs.7.14 each (Previous Year Rs.24.99 each)	78.48	274.91
ii) 80,00,000 (Previous Year 80,00,000) - 16% Secured Non-Convertible Redeemable Debtentures of Rs.100/- Fully paid up outstanding amount Rs.100 each (Previous Year Rs 100/- each)	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 outstanding Amount Rs. 100/- each (Previous Year Rs. 100/- each)	1,875.00	1,875.00
iv) 3,39,00,000 (Previous Year 3,39,00,000) - 14.031% (Previous Year 16.031%) Secured Non-Convertible Redeemable Debtenture of Rs. 100/- each Fully Paid up outstanding Amount Rs. 100/- each (Previous Year Rs. 100/- each)	33,900.00	33,900.00
Interest Accrued And Due	2,791.32	4,337.06

Contd..... on page no. 16

OSWAL CHEMICALS & FERTILIZERS LIMITED

OSWAL

Contd..... from page no. 15	As At 31.03.2004 (Rs.in Lacs)	As At 31.03.2003 (Rs.in Lacs)
B. Term Loans:-		
1) RUPEE TERM LOANS		
- From Financial Institutions	95,431.56	78,372.27
- From Banks	57,865.54	51,795.34
Interest Accrued And Due		
- On Term Loans from financial Institution	10.08	9,531.21
- On Term Loans from Banks	-	200.52
C. Working Capital Loans - From Banks	39,190.89	43,171.67
- From Others	2,800.00	3,500.00
Interest Accrued And Due		
- On Working Capital Loan from Banks	18.39	-
- On Working Capital Loan from others	-	90.34
D. Interest Free Loan From The Pradeshia Industrial & Investment Corporation of Uttar Pradesh Limited (PICUP)	7,274.76	7,254.52
	<u>249,036.02</u>	<u>242,302.84</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.2410.43 lacs) from a bank are further secured by mortgage by way of deposit of title deeds of immovable properties at village Balagah, District Dewas, Madhya Pradesh.
- Debentures are redeemable at par in 28 quarterly instalments as below:
 - 19.5% Secured Redeemable Non Convertible Debentures of Rs.100 each commencing from November 15, 1997.
 - 16% Secured Redeemable Non Convertible Debentures of Rs.100 each commencing from December 15, 2003.
 - 15.50% Secured Redeemable Non Convertible Debentures of Rs.100 each commencing from December 15, 2003.
 - 14.031% Secured Redeemable Non Convertible Debentures of Rs.100 each commencing from January 15, 2006.
- 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.
- Loans 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 01.04.2003	Addition/Adjustment during the year	Sale/Adjustment during the year	As at 31.03.2004	up to For the 01.04.2003	Written Back/ Adjusted During the year	As at 31.03.2004	As at 31.03.2003
Land								
-Leasehold *	1,005.78	-	-	1,005.78	68.83	10.20	79.03	926.75
-Freehold	372.57	-	-	372.57	-	-	-	372.57
-Site Development	6,466.73	-	-	6,466.73	152.82	76.41	229.23	6,237.50
Building								
-Leasehold	30.68	-	-	30.68	1.70	0.45	2.15	28.53
-Freehold **	20,571.34	303.05	30.36	20,844.03	4,616.10	629.87	5,539.11	15,304.92
Plant & Machinery	325,906.83	2,379.31	1,209.12	327,077.02	114,144.28	15,943.42	129,885.94	197,191.08
Plant & Machinery - held for disposal ***	9,837.25	-	-	9,837.25	8,670.17	320.84	9,191.01	6,462.24
Machinery Spares	1,006.44	0.51	-	1,006.95	223.36	81.42	304.78	704.17
Furniture & Fixture	905.74	9.27	1.68	913.33	665.32	50.36	714.46	186.87
Vehicles	2,113.16	-	8.39	2,104.77	1,503.79	173.73	7.70	1,669.82
Total	368,218.52	2,682.14	1,249.55	369,651.11	130,248.37	17,586.72	219.56	147,815.53
Previous Year	363,937.64	4,456.99	176.11	368,218.52	111,424.75	18,843.03	19.41	130,248.37
Capital Work In Progress****								
							6,072.65	5,489.58
TOTAL							<u>228,118.23</u>	<u>243,458.73</u>

* Includes land amounting to Rs. 8.07 lacs (Previous Year Rs.8.07 lacs) located at Paradip, 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.527.64 lacs (Previous Year Rs.527.64 lacs) not located on Company's land.

***Net realizable value based on management's estimate is more than the book value, hence valued at their book value.

**** Capital Work In Progress includes Capital Advance Rs.491.14 Lacs (Previous Year Rs.496.31 Lacs)

OSWAL CHEMICALS & FERTILIZERS LIMITED

OSWAL

Schedule V

As At 31.03.2004

As At 31.03.2003

(Rs.in lacs)

(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

500000 (Previous Year 500000) Equity Shares Of Monnet Industries Ltd Of Rs.10/- Each at a premium Of Rs.30/- Each

-

200.00

8324099 (Previous Year 8324099) Equity Shares

Of Rs.10/- Each Of Oswal Agro Mills Ltd

4,884.85

4,884.85

160000 (Previous Year 160000) Equity Shares

Of Rs.10/- Each Of Oswal Agro Furane Ltd

-

3.28

B. Government Securities:

Unquoted:-

In Govt. Securities 7 Years National Plan

Saving Certificate (Lodged

with Govt. Authorities)

0.21

1.21

C. Others - Unquoted

9.57

9.57

D. UTI Variable Investment Scheme-Unquoted

-

15.00

4,908.44

5,127.72

Aggregate Book Value:

Quoted Investments

4,898.66

5,101.94

Unquoted Investments

9.78

25.78

Schedule VI

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

Brought Forward

101.96

(12,532.98)

During the year

Add: Deferred Tax Assets

-

(95.97)

Carry forward Losses

-

6,436.11

Unabsorbed Depreciation

-

7,664.17

Other Timing Difference

Less: Deferred Tax Liability

-

3,574.85

Fixed Assets

-

(205.48)

Deferred Revenue Expenditure

Less: Deferred Tax Asset written off

101.96

-

Carried Forward

-

101.96

*Refer Note 16 on schedule XXII

Schedule VII

INVENTORIES

Raw Materials

6,066.47

3,965.01

Work In Progress

3,626.42

1,653.26

Finished Goods

23,022.22

28,462.88

Stores & Spares (Including In Transit Rs. 386.74 Lacs-

6,944.86

6,306.84

Previous Year Rs.51.48 Lacs)

Loose Tools

0.37

0.43

39,660.34

40,388.42

Schedule VIII	As At 31.03.2004 (Rs. in Lacs)	As At 31.03.2003 (Rs. in Lacs)
Sundry Debtors (Considered Good)		
Over Six Months		
Secured	13.07	17.42
Unsecured	12,548.39	22,853.88
Others		
Secured	119.67	54.03
Unsecured	34,424.18	23,392.94
	<u>47,105.31</u>	<u>46,318.27</u>

Schedule IX

Cash & Bank Balances		
Cash & Cheques In Hand Including Postage Imprest	293.17	166.00
Balances With Scheduled Banks		
Current Accounts	32.37	42.00
Dividend Accounts(Refer schedule XI) *	41.26	41.26
Fixed Deposit **	2,321.36	1,740.92
Margin Money	12.50	52.00
Employee Security Deposit-Fixed Deposit	32.72	27.22
Employee Security Deposit-Saving Bank Account	1.07	1.71
	<u>2,734.45</u>	<u>2,071.11</u>

** Pledged against Bank Guarantees and Letters of Credits Rs.2,321.16 Lacs
(Previous Year Rs.1,269.72 Lacs)

Schedule X

Loans & Advances (Notes 13 & 20 on schedule XXII)				
(Unsecured and Considered Good Unless Otherwise Stated)				
Advances Recoverable In Cash or in kind or for value to be received	3,182.19		3,570.07	3504.51
Less: Provision for Doubtful Advances	<u>139.23</u>	3,042.96	<u>65.58</u>	
Interest Accrued but not due on Deposits		58.25		63.99
Balance With Central Excise Etc.		15.29		0.01
Security Deposits		475.79		551.10
		<u>3,592.29</u>		<u>4,119.61</u>

Schedule XI

Current Liabilities (Note 7&9 on schedule XXII)			
Sundry Creditors			
i Total outstanding dues of Small Scale Industrial Undertakings	1.68		20.54
ii Total outstanding dues of Creditors Other Than Small Scale Industrial Undertakings	15,776.40		12,236.18
Deferred Income	2,628.81		1,969.11
Provision for Zero Coupon Optionally Convertible Preference Shares	2,185.95		-
Advances from Customers	1,539.49		1,169.09
Other Liabilities	2,759.44		2,867.41
Investors Education & Protection Fund (Appropriate amount shall be transferred to "Investor Education and Protection Fund" If and when due)			
-Unpaid Dividends (refer schedule IX) *	41.50		41.71
-Unpaid Application Money	-		9.78
-Unpaid Matured Debenture & Interest Due thereon	13.29		253.53
Interest accrued but not due	4,377.13		5,528.68
	<u>29,323.69</u>		<u>24,096.03</u>

* Under Reconciliation

OSWAL CHEMICALS & FERTILIZERS LIMITED
OSWAL

Schedule XII	As At 31.03.2004	As At 31.03.2003
	(Rs. in lacs)	(Rs. in lacs)
Provisions		
Gratuity	266.23	208.65
Leave With Wages	123.48	92.53
Wealth Tax	17.97	4.70
Current Tax (Net of Advance Tax Rs 654.84 Lacs Previous Year Rs.367.09 Lacs)	890.77	607.31
	<u>1,298.45</u>	<u>913.19</u>

Schedule XIII	For The Year Ended on 31.03.2004	For The Year Ended on 31.3.2003
Other Income		
Profit on Sale of Assets	7.62	1.92
Interest Concession Received	-	185.86
Interest on Fixed Deposits - Gross (TDS Rs.30.75 Lacs Previous Year Rs.38.81 Lacs)	404.10	184.36
Foreign Exchange Fluctuation	352.98	
Miscellaneous Income	756.08	582.18
Provision no longer required written back	668.81	195.64
	<u>2,189.59</u>	<u>1,149.96</u>

Schedule XIV		
Raw Material Consumption		
Opening Stock	3,965.01	5,407.59
Add: Purchases	47,995.66	58,327.61
	<u>51,960.67</u>	<u>63,735.20</u>
Less: Closing Stock	6,066.47	3,965.01
	<u>45,894.20</u>	<u>59,770.19</u>

Schedule XV		
Other Manufacturing Expenses		
Stores Consumed *	5,272.20	5,516.90
Packing Material Consumed	2,565.43	3,008.79
Power & Fuel	25,066.27	18,922.99
Others	516.96	146.73
Repairs - Building	27.89	84.12
- Machinery	606.34	585.98
- Others	112.48	82.98
	<u>34,167.57</u>	<u>28,348.49</u>

* Excluding Charged to other Revenue Heads Rs 133.95 Lacs
(Previous Year Rs. 356.41 Lacs)

Schedule XVI		
Employees' Cost (Note 19 on schedule XXII)		
Salaries, Wages, Bonus and other Allowances	2,721.13	3,122.51
Contribution to Provident Fund & Employees State Insurance	144.81	158.74
Welfare Expenses	151.53	218.95
	<u>3,017.47</u>	<u>3,500.20</u>

Schedule XVII		
Selling Expenses		
Freight & Handling Charges	9,705.64	12,874.71
Rebate & Discounts	471.83	319.73
Commission	-	9.63
Other Selling Expenses	1,987.30	6,605.35
	<u>12,164.77</u>	<u>19,809.42</u>

Schedule XVIII

	For The Year Ended on 31.03.2004	For The Year Ended on 31.3.2003
	(Rs.in lacs)	(Rs.in lacs)
Finance Expenses		
Interest - On Fixed Loans	17,910.45	21,147.41
-On Debentures	7,392.74	7,913.57
- On Others	4,627.68	5,798.79
Bank Charges	342.76	641.05
	<u>30,273.63</u>	<u>35,500.82</u>

Schedule XIX
Administration Expenses (Note 19 on schedule XXII)

Rent	88.72	161.71
Rates & Taxes	88.40	123.40
Insurance	775.29	996.76
Foreign Exchange Fluctuation	-	267.58
Loss on Sale/Writeoff of Assets	842.09	5.05
Other General Expenses	1,617.39	1,789.24
Provision for Obsolete Stores	-	238.41
Bad Debt/Advances Written Off/Provided	134.38	18.84
Miscellaneous Expenditure Written off	523.05	523.05
	<u>4,069.32</u>	<u>4,124.04</u>

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

Opening Stock		
Finished Goods	28,462.88	16,976.74
Work In Progress	1,653.26	2,624.57
	<u>30,116.14</u>	<u>19,601.31</u>
Less : Closing 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>
	<u>3,467.50</u>	<u>(10,514.83)</u>

Schedule XXI
Prior Period Adjustments

Other General Expenses	344.34	312.90
Miscellaneous Income	(1.16)	(27.18)
Rates & Taxes	15.34	748.39
Depreciation Written Back	-	(7.99)
Depreciation	41.71	-
Interest	309.20	-
	<u>709.43</u>	<u>1,026.12</u>

SCHEDULE XXII
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

All the fixed assets are stated at cost less accumulated depreciation. Cost includes all incidental expenditure net of MODVAT/CENVAT wherever applicable. The Company provides for depreciation as follows:

i) Urea Division

Urea and Power Generation plants: On the basis of technical evaluation of the useful life. Accordingly, the Company is charging depreciation @ 25% 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

Plant and Machinery at the rates determined on the basis of technological re-evaluation of the useful life of the plant from the date the assets were put to use after modification/additions. Accordingly, depreciation is being provided @ 35 % on WDV of the assets. The other assets 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 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 are being 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 provisional rates notified by Govt. of India which are subject to revision based on a study carried out by Govt. of India.

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.

2. Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) Rs.725.25 lacs (Previous Year Rs.1190.36 lacs).

3. Contingent Liabilities not provided for in respect of :		Year ended March 31, 2004	(Rs.In Lacs) Year ended March 31, 2003
(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 disputed by the Company	921.86	772.03
	d) Demands/show cause notices received from Sales Tax department.	369.65	Amount not quantifiable
	e) Demand received for water charges disputed by the company.	388.52	-
	f) Demand received for Entry Tax in Orissa	527.39	527.39
	g) Demand for minimum guaranteed wharfage, disputed by the Company.	1018.46	408.12
	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) Other claims against the Company not acknowledged as debts	1458.54	1274.43
	(ii) 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 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 the final reconciliation by customs authorities.		
4.	(a) The Income Tax Department has completed assessments and raised demands amounting to Rs.3411.17 lacs for assessment years 1998-99, 1999-00, 2000-01 & 2001-02. No provision has been made for the same since the Company has been legally advised that these demands are not sustainable and has filed appeals before appropriate authorities. Further, assessment year 2002-03 involves certain issues including those which are similar in nature for which assessment has been completed during the year.		
	(b) Further, the Income Tax Department reopened the assessment for assessment year 1995-96 on the basis of a statement by one of the machinery suppliers of the Company before the settlement commission and raised a demand for Rs.217.67 lacs against which the Company has filed an appeal with the appropriate authority. No provision has been made for the same since, in the opinion of management, the demand is not sustainable.		
5.	(a) Investments (Schedule V) include equity shares in Oswal Agro Mills Limited (OAML) amounting to Rs.4,884.85 lacs. The market value of these investments as at March 31, 2004 stands at 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) Market value of quoted investments at the close of the year was Rs.124.50 lacs (Previous Year Rs.342.78 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. 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 Chemtols Engineering Ltd. and Khandelwal Industries, whose dues are outstanding for more than 30 days.

8. Sales Include :	(Rs.In Lacs)	
	Year ended March 31, 2004	Year ended March 31, 2003
Concession on Urea (including arrears for Earlier Years Rs.2934.17 lacs – Previous Year net of recovery Rs.541.08 lacs).	25420.94	15245.56
Equated Freight on Urea (including arrears for Previous Years Rs. NIL lacs – Previous Year Rs.623.58 lacs).	3663.52	4210.15
Concession on DAP/NP	14267.72	15822.97

9. A detailed exercise is in progress to reconcile various accounts (both debit and credit, the aggregate net debit balance being Rs.114.44 lacs with suppliers of the DAP Division. Adjustments, if any, arising from these exercises, which are not likely to be material, will be accounted for on completion of the same.

A similar reconciliation exercise is being carried out for the interest payable to the eastwhile debentureholders and bondholders. Pending completion of the reconciliation, the company has paid Rs.250.07 lacs during the year to certain debentureholders based on claims received from them.

10. Pre-operative expenditure incurred on DAP Division and not attributable to the construction activity is being written off over a period of 3-5 years from the date of commercial production i.e. 1st April, 2001 as per details given below:

Balance brought forward	1569.16	2092.21
Less : Written off during the year	523.05	523.05
Total	1046.11	1569.16

11. Directors' Remuneration :		
Salary & allowances	54.00	54.00
Contribution to Provident Fund	6.48	6.48
Perquisites	52.23	45.86
Sitting Fees	2.80	2.10
Total	115.51	108.44

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) Shanenjula Syndicate, Bombay, (II) Sagar Corporation, Bombay (III) Universal Associates, Bombay being Associations of Persons (AOPs) and is entitled to 88%, 89% and 91% share of profit/loss respectively. The total amount invested in these AOP's is Rs.9.57 lacs (Previous Year Rs.9.57 lacs). The share of profit from these AOPs amounting to Rs.0.65 lacs (Previous Year Loss Rs.0.93 lacs) has been accounted for in the Company's books.

	(Rs. In Lacs)	
	As at March 31, 2004	As at March 31, 2003
13. Loans and Advances as given in Schedule X include:		
Maximum Amount due from Directors and Secretary at any time during the year	1.55	0.23
14. Auditors' Remuneration:		
Audit Fee	21.00	15.00
Certification work	6.00	3.00
Other Services	9.00	8.00
Out of Pocket Expenses (including service tax)	6.97	5.65

15. The amount of U.P. Trade Tax on Urea collected during the period 1.3.2003 to 28.2.2004 amounting to Rs.1180.18 lacs (Previous Year Rs.1216.59 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 during March, 2004 amounting to Rs.17.76 lacs (Previous Year Rs.17.63 lacs), pending conversion into 'Interest Free Loan' is included under the head "Current Liabilities".
16. In view of continued losses and principles of prudence, the Company has written off deferred tax asset (net) of Rs.101.96 lacs brought forward from previous year and has also not recognized additional deferred tax asset (net) for the year.
17. Financial Institutions have an option to convert a part of their term loans/debentures amounting to Rs.34711.41 lacs (Previous Year Rs.33000.56 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 amounting to Rs.128084.36 lacs (Previous Year Rs.102482.80 lacs) in the event of default as stipulated in the respective loan agreements.
18. 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.
19. Employee cost (Schedule XVI) and Administrative expenses (Schedule XIX) are net of Rs.249.43 lacs being estimated amount of expenses incurred on behalf of a group company which have subsequently been reimbursed to the Company.
20. Loans and advances (Schedule X) includes Rs.50 lacs being amount of cash seized during the year by the Income Tax authorities under section 132 of the Income Tax Act, 1961. The company has applied to the appropriate authority for release of the cash seized.
21. The Debt Restructuring Scheme for secured loans of DAP Division of the Company has been approved by the Corporate Debt Restructuring Cell and all lenders, other than Unit Trust of India, subject to compliance of certain terms and conditions including the issue of Zero Percent Optionally Convertible Preference Shares as compensation for the interest reset (for the entire tenure of term 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.2,186 lacs, being the net present value as on 1st April, 2003 of the amount of interest reduction for the year ended 31st March, 2004 required to be compensated in the above manner. Pending issue of Preference Shares, this amount has been included under current liabilities (Schedule XI). Further, the funded interest amount has been converted to Funded Interest Term Loan amounting to Rs.12,569.99 lacs as per the said Scheme by some lenders, which is pending confirmation/reconciliation.
22. Schedule X includes Rs. Nil (Previous Year Rs.218.98 lacs) being unexpired foreign exchange fluctuation on account of forward exchange contracts outstanding at the year end.
23. Earning Per Share (EPS) – Numerators and Denominators used to calculate basic and diluted earnings per share:

	Year ended March 31, 2004	(Rs. in Lacs) Year ended March 31, 2003
Loss attributable to Equity Shareholders (Rs.)/(A)	2,83,36,90,812	2,20,47,08,745
Basic/Weighted average of Equity Shares outstanding during the year (B)	25,68,09,159	25,68,09,159
Nominal Value of Equity Shares (Rs.)	10	10
Basic/Diluted Earning per share (Rs.) (A)/(B)	(11.03)	(8.58)
Note : None of the potential equity shares have dilutive effect during the current year.		

24. 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 Bhalla

Mr. Ranjan Sharma

Mrs. Poonam Sharma (Wife of Mr. Ranjan Sharma)

(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, Atul Properties Limited.

(d) Enterprises under the control of the Company.
Shanrajula 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	Rs. in Lacs	
		2003-04	2002-03
a) Major Shareholders	Managerial Remuneration	35.26	36.76
b) Key Management Personnel & their relatives	Managerial Remuneration	77.45	69.57
	Rent paid	10.80	10.80
c) Enterprises over which major shareholders and key Management Personnel have significant influence	Rent paid	12.00	12.00
	Services availed	16.90	362.46
	Payments made by Company on their behalf	118.71	297.25
	Their share of common expenses	249.45	-
	Funds Received by Company	313.59	4955.07
	Payments received by Company on their behalf	0.58	54.50
	Payments made on behalf of Company	11.66	0.29
	Adjustment of funds received	-	5705.75
d) Enterprises under the control of the Company	Profit/(Loss) of AOPs	0.65	(0.93)
Balances outstanding at year end:			
Enterprises over which major shareholders have significant influence	- Investments	4884.85	4884.85
	- Receivable	36.54	-
	- Payable	0.09	-
Enterprises under the control of the Company	- Investments	9.57	9.57

25. 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.

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

27. Although the DAP plant has been incurring cash losses, remedial steps have been taken by the management by way of :

- increasing the capacity utilization levels,
- increasing the market share, especially in view of better monsoon,
- restructuring the long term loans and
- reducing the interest cost.

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

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	Licenced/Registered Capacity		Installed Capacity#		Production	
		As At 31.03.2004	As At 31.03.2003	As At 31.03.2004	As At 31.03.2003	For the year ended 31.03.2004	For the year ended 31.03.2003
AMMONIA	MT	1350/Day	1350/Day	1350/Day	1350/Day	494506.800	468593.200
UREA	MT	2200/Day	2200/Day	2200/Day	2200/Day	857802.150	814488.800
DAP/NPK/NP	MT	1920000/Annum	1920000/Annum	1920000/Annum	1920000/Annum	331160.905	717258.680
LOW DENSITY POLYETHYLENE	MT	15357	15357	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 31.03.2004		For the year ended 31.03.2003	
		Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)
UREA	MT	900723.550	70967.99	778092.250	55627.75
DAP	MT	381746.010	47023.32	618479.300	68926.52
NP	MT	31110.200	2882.48	-	-
GYPSUM	MT	5783.050	10.57	10602.310	21.26
			120884.36		124575.53

\$ Sales excludes wastages and losses.

C OPENING AND CLOSING STOCKS OF GOODS PRODUCED

Class of Goods	Unit	As At 31.03.2004		As At 31.03.2003		As at 31.03.2002	
		Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)
UREA	MT	87395.150	4479.79	131970.80	5962.80	96436.550	4146.00
DAP	MT	139611.155	17112.42	238259.65	22500.08	150778.100	12830.74
NP	MT	16447.550	1430.01				
			<u>23022.22</u>		<u>28462.88</u>		<u>16976.74</u>

D RAW MATERIAL CONSUMED

Class of Goods	Unit	For the year ended 31.03.2004		For the year ended 31.03.2003	
		Quantity	Value (Rs.in lacs)	Quantity	Value (Rs.in lacs)
NATURAL GAS	Million SM 3	342.24	14082.76	322.432	13155.10
ROCK PHOSPHATE	MT	577244.59	13619.74	1361494	25557.77
AMMONIA	MT	81984.12	11352.67	157623	11862.41
SULPHUR	MT	172028.77	6749.67	347876	8621.09
SULPHURIC ACID	MT		-	8552	44.80
OTHERS			<u>89.34</u>		<u>529.02</u>
			<u>45894.20</u>		<u>59770.19</u>

E. OTHER ADDITIONAL INFORMATION

	For the year ended 31.03.2004		For the year ended 31.03.2003	
	Value (Rs. In lacs)		Value (Rs.in lacs)	
(a) CIF VALUE OF IMPORT				
RAW MATERIAL	31163.88		39253.47	
COMPONENTS & SPARE PARTS	994.89		1100.33	
CAPITAL GOODS	717.50		-	
	<u>32876.27</u>		<u>40363.80</u>	
(b) EXPENDITURE IN FOREIGN CURRENCY				
ON TECHNICAL KNOWHOW	372.79		19.49	
NAPHTHA	6754.28		1439.60	
INTEREST	19.49		61.22	
OTHER MATTERS	102.22		77.31	
	<u>7248.78</u>		<u>1597.62</u>	

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

CLASS OF GOODS	For the Year ended 31.03.2004		For the year ended 31.03.2003	
	Value (Rs. in lacs)	%	Value (Rs. In lacs)	%
RAW MATERIALS				
INDIGENOUS	14172.13	30.88	13684.12	22.89
IMPORTED	31722.07	69.12	46086.07	77.11
	<u>45894.20</u>	<u>100.00</u>	<u>59770.19</u>	<u>100.00</u>
STORES, SPARE PARTS & COMPONENTS				
INDIGENOUS	4376.52	80.95	3995.58	68.42
IMPORTED	1029.63	19.05	1877.73	31.58
	<u>5406.15</u>	<u>100.00</u>	<u>5873.31</u>	<u>100.00</u>

Signatures to schedules I to XXII

For and On behalf of the Board

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
Dated: 29th June, 2004

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

I. Registration DetailsRegistration No.

0	1	4	9	2	8
---	---	---	---	---	---

State Code

2	0
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	4
---	---	---	---

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	2	7	1	6	5	1	7
---	---	---	---	---	---	---	---

Total Assets

3	2	7	1	6	5	1	7
---	---	---	---	---	---	---	---

Sources of Funds

Paid up Capital

4	9	6	8	0	9	2
---	---	---	---	---	---	---

Reserves & Surplus

(-)	2	1	7	3	9	1
-----	---	---	---	---	---	---

Secured Loans

2	4	9	0	3	6	0	2
---	---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

2	2	8	1	1	8	2	3
---	---	---	---	---	---	---	---

Investments

4	9	0	8	4	4
---	---	---	---	---	---

Net Current Assets

6	7	4	7	0	2	5
---	---	---	---	---	---	---

Misc. Expenditure

1	0	4	6	1	1
---	---	---	---	---	---

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

Turnover

1	2	3	0	7	3	9	5
---	---	---	---	---	---	---	---

Total Expenditure

1	5	1	3	0	8	9	0
---	---	---	---	---	---	---	---

Profit Before Tax

(-)	2	8	2	3	4	9	5
-----	---	---	---	---	---	---	---

Profit After Tax

(-)	2	8	3	3	6	9	1
-----	---	---	---	---	---	---	---

Earning per Share (Rs.)

(-)	1	1	0	3
-----	---	---	---	---

Dividend 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
---	---	---	---	---	---	---	---	---	---

Product Description

U	R	E	A				
---	---	---	---	--	--	--	--

0	0	2	8	1	4	1	0	0	0
---	---	---	---	---	---	---	---	---	---

A	M	M	O	N	I	A			
---	---	---	---	---	---	---	--	--	--

0	0	3	1	0	5	3	0	0	0
---	---	---	---	---	---	---	---	---	---

D	A	P							
---	---	---	--	--	--	--	--	--	--

REPORT OF THE AUDITORS TO THE BOARD OF 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 31st March, 2004, 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 misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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.105.79 Lacs. (Previous year Rs. 99.67 Lacs.) as at 31st March, 2004 and total revenues of Rs.2.65 Lacs (Previous year Rs. Nil 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 in line 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 requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited 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 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 5.7 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 31st March, 2004.;
 - 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.;
 - c. in the case of the 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 Non-provision of disputed income tax demands, including demands pertaining to assessment year 1995-96, 1998-99, 1999-2000, 2000-2001 & 2001-02 amounting to Rs. 1,935.03 lacs (net of provision), as stated in note 5(a) & (b) on schedule XXII.
- 5.2 Non-provision of import pass fees amounting to Rs. 42.85 lacs on industrial alcohol as stated in note 4 (iii) on schedule XXII.

- 5.3 Non-ascertainment and non-provision of doubtful debts, if any, out of debts outstanding for more than six months.
- 5.4 Note 9 on schedule XXII regarding non-reconciliations of accounts with the suppliers of DAP division and interest payable to erstwhile debenture/bond holders and payments made to them based only on their claims.
- 5.5 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.
- 5.6 Note 20 on schedule XXII regarding issuance of preference shares for Rs.2,186 lacs and conversion of interest into funded interest term loan amounting to Rs.12,569.99 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.
- 5.7 Managerial Remuneration amounting to Rs.112.71 lacs paid to directors, which is subject to approval of Central Government as stated in note 11(b) of Schedule XXII.

We further report that without considering our comments in paragraphs 5.4 to 5.6 above the impact of which we are unable to quantify and our comments in paragraph 5.7 above being a legal matter and after considering adjustments arising on account of our comments in paragraphs 5.1 to 5.2 above, to the extent quantifiable, would result in the loss before tax of Rs.28,282.87 lacs as against Rs. 28,240.02 lacs and loss after tax of Rs.30,319.86 lacs as against Rs. 28,341.98 lacs as shown in the Profit and Loss Account. Consequently, net current assets would change to Rs. 60,499.38 lacs as against Rs. 62,477.26 lacs and debit balance in profit and loss account would change to Rs. 58,831.98 lacs as against Rs. 56,854.10 lacs as shown in the Balance Sheet.

Anupam Chawhan
Partner

Membership No.F084451
For and on behalf of
Pricewaterhouse
Chartered Accountants

Place: New Delhi
Date: 30 July, 2004

Consolidated Balance sheet as at 31 March, 2004

PARTICULARS	Schedule No.	As at 31.03.2004 (Rs. in Lacs)	As at 31.03.2003 (Rs. in Lacs)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	I	49,680.88	49,680.88
Reserves & Surplus	II	54,662.84	54,662.84
		<u>104,343.72</u>	<u>104,343.72</u>
Minority Interest		1.05	1.49
Loan Funds			
Secured Loans	III	249,036.02	242,302.84
Unsecured Loan-Long Term From Others		93.15	87.25
		<u>249,129.17</u>	<u>242,390.09</u>
		<u>353,473.94</u>	<u>346,735.30</u>
Application Of Funds			
Fixed Assets			
Gross Block	IV	369,661.18	368,218.59
Less: Depreciation		147,615.53	130,248.37
Net Block		222,045.65	237,970.22
Capital Work In Progress		6,072.65	5,489.58
		<u>228,118.30</u>	<u>243,459.80</u>
Investments	V	4,978.17	5,197.45
Deferred Tax Asset (Net)	VI	-	101.96
Current Assets, Loans & Advances			
Inventories	VII	39,661.82	40,390.67
Sundry Debtors	VIII	47,105.36	46,318.27
Cash & Bank Balances	IX	2,740.20	2,075.28
Loans & Advances	X	3,592.29	4,119.61
		<u>93,099.67</u>	<u>92,903.83</u>
Less: Current Liabilities & Provisions			
Current Liabilities	XI	29,323.85	24,096.19
Provisions	XII	1,298.56	913.26
		<u>30,622.41</u>	<u>25,009.45</u>
Net Current Assets		62,477.26	67,894.38
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Deferred Revenue Expenditure (Note 10 on schedule XXII)		1,046.11	1,569.16
Profit & Loss Account		56,854.10	28,512.55
		<u>353,473.94</u>	<u>346,735.30</u>

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

Anupam Dhawan
Partner
Membership No. F 084451
For and on Behalf of
Price Waterhouse
Chartered Accountants

H.K. Gupta
Company
Secretary

S P Arya
GM (Finances)

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

Place: New Delhi
Dated: 30 July, 2004

OSWAL CHEMICALS & FERTILIZERS LIMITED

OSWAL

Consolidated Profit & Loss Account For the Year Ended 31 March 2004

PARTICULARS	Schedule No.	For the year Ended on 31.03.2004	For the year Ended on 31.03.2003
Income		(Rs. in Lacs)	(Rs. in Lacs)
Sales (Note 8 on schedule XXII)		120,884.36	124,575.53
Other Income	XIII	2,191.59	1,149.96
		<u>123,075.95</u>	<u>125,725.49</u>
Expenditure			
Raw Material Consumption	XIV	45,894.20	59,770.19
Other Manufacturing Expenses	XV	34,167.57	28,348.49
Employees' Cost	XVI	3,018.25	3,500.86
Selling Expenses	XVII	12,164.77	19,809.42
Finance Expenses	XVIII	30,278.94	35,510.43
Depreciation		17,545.01	18,843.03
Administration Expenses	XIX	4,070.30	4,123.33
Adjustments due to (Increase)/ Decrease in Stock of Finished Goods and Work In Progress	XX	3,467.50	(10,514.83)
		<u>150,606.54</u>	<u>159,390.92</u>
Loss before Prior Period Adjustments and Taxation		(27,530.59)	(33,665.43)
Prior Period Adjustments	XXI	709.43	1,026.12
Loss before Tax Expense		<u>(26,821.16)</u>	<u>(32,639.31)</u>
Tax Expense			
-Deferred Tax Asset (Note 15 on schedule XXII)		-	(12,634.94)
-Deferred Tax Asset (Net) of earlier year written off (Note 15 on schedule XXII)		101.96	
Loss after Tax Expense		<u>(26,719.20)</u>	<u>(22,056.61)</u>
Less: Minority Interest		0.43	1.05
		<u>(26,718.77)</u>	<u>(22,055.56)</u>
Loss brought forward from Previous Year		(28,512.55)	(6,456.99)
Balance Carried to Balance Sheet		<u>(55,231.32)</u>	<u>(28,512.55)</u>
Earning Per Share (Nominal value of Rs. 10 each)			
Basic / Diluted (Note 22 on Schedule XXII) (Rs.)		(11.04)	(8.59)

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

Anupam Dhawan
Partner
Membership No. F 084451
For and on Behalf of
Price Waterhouse
Chartered Accountants
Place: New Delhi
Dated: 30th July, 2004

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, 2004

	Year Ended March 31, 2004 Amount (Rs. in lacs)	Year Ended March 31, 2003 Amount (Rs. in lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Not loss before tax		
Adjustments for:	(28,240.02)	(34,691.55)
Depreciation	17,586.72	18,843.03
Finance Expense	30,592.90	35,500.62
Interest Income	(404.10)	(184.36)
(Profit)/Loss on sale/write off of Fixed Assets/CWIP	834.47	3.13
Deferred revenue expenditure written off	523.05	523.05
Loss/(Profit) on sale of Investment/Written off	112.54	-
Liability no longer required written back	(668.81)	(195.64)
TDS on Rent	-	(7.94)
Unrealised Foreign Exchange Fluctuation	(65.95)	322.98
Provision/write off for bad & doubtful debts/advances	134.36	18.84
Provision for Gratuity & Leave Encashment	86.64	33.08
Provision for Inventory for obsolete/damaged stock	-	238.41
Prior Period Expenses/(Income) (Net)	368.52	1,026.11
Worth Tax Provision	17.97	4.70
Operating profit before working capital changes	20,860.31	21,434.66
Adjustments for changes in working capital:		
-(Increase)/Decrease in Sundry Debtors	(787.09)	19,599.88
-(Increase)/Decrease in Other Receivables	367.20	(141.39)
-(Increase)/Decrease in Inventories	725.64	(7,326.67)
-(Increase)/(Decrease) in Trade and Other Payables	5,189.05	(7,914.52)
-(Increase)/(Decrease) in Net Current Assets	5,498.00	4,217.10
Cash generated from operations	26,358.31	25,651.76
- Prior Period (Expenses)/Income (Net)	(358.52)	(882.70)
- Wealth Tax Paid	(4.70)	(4.26)
- Taxes Refund	314.21	78.24
Net cash from operating activities	26,309.30	24,843.04
B. Cash flow from investing activities:		
Purchase of fixed assets	(3,445.75)	(1,702.34)
Proceeds from Sale of fixed assets	366.06	10.16
(Purchase)/Sale of investments	106.74	(22.50)
Interest Received (Revenue)	379.09	161.29
Net cash used in investing activities	(2,593.86)	(1,553.40)
C. Cash flow from financing activities:		
Proceeds from Unsecured Loans	5.25	(13.35)
Proceeds from long term borrowings	1,660.95	1,216.59
Repayments of long term borrowings	(12,511.53)	(6,559.31)
Proceeds (Repayments) from short term borrowings/cash credit	(4,880.76)	5,647.00
Finance Expense Paid	(7,320.30)	(24,761.82)
Dividend Paid	(0.21)	(24.63)
Net cash used in financing activities	(23,050.52)	(24,515.62)
Net Increase/(Decrease) in Cash & Cash Equivalents	604.82	(1,225.96)
Cash and cash equivalents as at 31.03.2003	2,075.28	3,301.26
Cash and Bank balances	2,075.28	3,301.26
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

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 outflow.
- Cash and cash equivalents includes balances with the scheduled bank under dividend payable accounts Rs. 41.26 lacs (Previous Year Rs. 41.26 lacs) and Rs 2321.18 (Previous Year Rs. 1269.72 lacs) against the margin money for Bank guarantees and Rs.33.79 lacs (Previous Year Rs. 28.93 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.30.75 Lacs (Previous Year Rs.46.75 Lacs)
 - Interest on long term loans amounting Rs. NIL (Previous year Rs. 1.04 Lacs) adjusted against the proceeds from loans.

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

Notes to Accounts (Schedule XXII) forms an integral part of the Cash Flow Statement

For and on behalf of the board

Anupam Dhawan
Partner
Membership No. F 084451
For and on Behalf of
Price Waterhouse
Chartered Accountants
Place: New Delhi
Dated: 30th July, 2004

H.K. Gupta
Company
Secretary

S P Arya
GM (Finance)

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Abhey Oswal
Chairman & Managing
Director

OSWAL CHEMICALS & FERTILIZERS LIMITED

OSWAL

CONSOLIDATED SCHEDULES TO ACCOUNTS

Schedule I	As At 31.03.2004	As At 31.03.2003
	(Rs in Lacs)	(Rs.in Lacs)
Share Capital (Note 16 On schedule XXII)		
Authorised:		
375,000,000 (Previous Year 325,000,000) Equity Shares of Rs.10/- each	37,500.00	32,500.00
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 Nil) Zero Percent Optional Convertible Preference Shares of Rs.100/-each	12,500.00	-
	<u>77,500.00</u>	<u>60,000.00</u>
Issued & Subscribed :		
256,808,759 (Previous Year 256,808,759) Equity Shares of Rs.10/- each fully paid up	25,680.88	25,680.88
24,000,000 (Previous Year 24,000,000) 10% Redeemable Non Cumulative Preference Shares of Rs.100 each, fully paid up, redeemable on the expiry of 15 years from the date of allotment i.e. 31st October 2001	24,000.00	24,000.00
	<u>49,680.88</u>	<u>49,680.88</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 14, 16 and 20 on schedule XXII)		
A. Debentures		
(i) 11,00,000 (Previous Year 11,00,000) 19.5% Secured Non-Convertible Redeemable Debentures of Rs.100/- each Fully Paid up Outstanding Amount Rs.7.14 each (Previous Year Rs.24.99 each)	78.48	1,274.91
(ii) 80,00,000 (Previous Year 80,00,000) - 16% Secured Non-Convertible Redeemable Debentures Of Rs.100/- each Fully Paid Up Outstanding Amount Rs.100 each (Previous Year Rs.100/- each)	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 Outstanding Amount Rs. 100/- each (Previous Year Rs. 100/- each)	1,875.00	1,875.00
(iv) 3,39,00,000 (Previous Year 3,39,00,000) - 14.031% (Previous Year 16.031%) Secured Non-Convertible Redeemable Debenture of Rs. 100/- each Fully Paid Up Outstanding Amount Rs. 100/- each (Previous Year Rs. 100/- each) Interest Accrued And Due	33,900.00 2,791.32	33,900.00 4,337.06
B. Term Loans:-		
(i) RUPEE TERM LOANS		
- From Financial Institutions	95,431.56	78,372.27
- From Banks	57,865.54	51,795.34
Interest Accrued And Due		
- On Term Loans from financial Institution	10.08	9,531.21
- On Term Loans from Banks	-	200.52
C. Working Capital Loans - From Banks	39,190.89	43,171.67
- From Others	2,600.00	3,500.00
Interest Accrued And Due		
- On Working Capital Loan from Banks	18.39	
- On Working Capital Loan from others	-	90.34
D. Interest Free Loan From The Pradeshiya Industrial & Investment Corporation of Uttar Pradesh Limited (PICUP)	7,274.76	7,254.52
	<u>249,036.02</u>	<u>242,302.84</u>

Contd..... on page no. 33

OSWAL CHEMICALS & FERTILIZERS LIMITED

OSWAL

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Notes:-

- Debtors and loan 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.2410.43 lacs) from a bank are further secured by mortgage by way of deposit of title deeds of immovable properties at village Balagah, District Dowsa, Madhya Pradesh.
- Debtors are redeemable at par in 28 quarterly instalments as below
 - 19.5% Secured Redeemable Non Convertible Debentures of Rs.100 each commenced from November 15, 1997.
 - 16% Secured Redeemable Non Convertible Debentures of Rs. 100 each commencing from December 15, 2003.
 - 15.50% Secured Redeemable Non Convertible Debentures of Rs 100 each commencing from December 15, 2003
 - 14.031% Secured Redeemable Non Convertible Debentures of Rs 100 each commencing from January 15, 2006.
- 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.
- Loans from PICUP is secured by second charge on the movable assets and immovable fixed assets of the Shreejahanpur fertilizer plant of the Company and shall rank pari passu with the charges created for securing working capital facilities.

Schedule-IV

(Note 4(i)(a), 4(i)(b) on Schedule XXII)

Fixed Assets

(Rs.in Lacs)

Particulars	Gross Block			Depreciation				Net Block	
	As at 01.04.2003	Addition/Adjustment during the year	Sale/Adjustment during the year	As at 31.03.2004	up to 01.04.2003	For the Year	Written Back/Adjusted During the year	up to 31.03.2004	As at 31.03.2004 31.03.2003
Goodwill on consolidation	0.07	-	-	0.07	-	-	-	-	0.07 0.07
Land	-	-	-	-	-	-	-	-	-
-Leasehold *	1,005.78	-	-	1,005.78	68.83	10.20	-	79.03	926.75 936.95
-Freehold	372.57	-	-	372.57	0.00	-	-	-	372.57 372.57
-Site Development	6,468.73	-	-	6,468.73	152.82	76.41	-	229.23	6,237.50 6,313.61
Buildings	-	-	-	-	-	-	-	-	-
-Leasehold	30.68	-	-	30.68	1.70	0.45	-	2.15	28.53 28.96
-Freehold **	20,571.34	303.05	30.36	20,644.03	4,618.10	929.87	8.86	5,539.11	15,304.92 15,953.24
Plant & Machinery	325,906.83	2,378.31	1,209.12	327,077.02	114,144.28	15,943.42	201.76	129,585.94	197,191.08 211,762.55
Plant & Machinery - held for disposal ***	9,837.25	-	-	9,837.25	8,870.17	320.64	-	9,191.01	646.24 667.08
Machinery Spares	1,006.44	0.51	-	1,006.95	223.36	81.42	-	304.78	704.17 755.08
Furniture & Fixture	905.74	9.27	1.68	913.33	665.32	50.38	1.24	714.46	198.87 240.42
Vehicles	2,113.15	-	8.39	2,104.77	1,503.79	173.73	7.70	1,669.82	434.95 609.37
Total	368,218.59	2,692.14	1,249.55	369,661.18	120,246.37	17,586.77	219.56	147,615.53	222,045.65 237,970.22
Previous Year	363,937.84	4,456.99	176.11	368,218.52	111,424.75	18,843.03	19.41	130,248.37	6,072.65 5,489.58
Capital Work in Progress****	-	-	-	-	-	-	-	-	228,118.30 243,459.80
TOTAL	-	-	-	-	-	-	-	-	-

- * 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 Mandikdep, 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 Anna Abhey Oswal Trust.
- ** Includes Railway Sidings, costing Rs.527.64 lacs (Previous Year Rs.527.64 lacs) not located on Company's land.
- *** Net realisable value based on management's estimate is more than the book value, hence valued at their book value.
- **** Capital Work in Progress includes Capital Advance Rs.491.14 Lacs (Previous Year Rs.496.31 Lacs)

Schedule V

As At 31.03.2004 As At 31.03.2003

(Rs.in Lacs) (Rs.in Lacs)

INVESTMENTS - LONG TERM-NON TRADE (Notes 6(a) & (b) 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
500000 (Previous Year 500000) Equity Shares Of Monnet Industries Ltd Of Rs.10/-Each at a premium Of Rs.30/-Each	-	200.00
8424849 (Previous Year 8424849) Equity Shares Of Rs.10/- Each Of Oswal Agro Mills Ltd	4,926.15	4,926.15
160000 (Previous Year 160000) Equity Shares Of Rs.10/- Each Of Oswal Agro Furane Ltd	-	3.28
10000 Equity Shares of Rs.10/-each of Appu Impex Ltd.	0.28	0.29
1440000 Equity Shares of Rs.10/-each of Progressive Commercial Enterprises Ltd.	26.29	26.29
10000 Equity Shares of Rs.10/-each of Alliance Techno Projects Ltd.	1.02	1.01
80500 Equity Shares of Rs.10/-each of Lucky Star Entertainment Ltd.	2.91	2.91
Share Application Money	7.50	7.50

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OSWAL CHEMICALS & FERTILIZERS LIMITED

OSWAL

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	As At 31.03.2004 (Rs.in lacs)	As At 31.03.2003 (Rs.in lacs)
B. Government Securities:		
Unquoted:-		
In Govt. Securities 7 Years National Plan		
Saving Certificate (Lodged		
with Govt.Authorities)	0.21	1.21
C.Others - Unquoted		
D.UTI Variable Investment Scheme-Unquoted	-	15.00
	<u>4,978.17</u>	<u>5,197.45</u>
Aggregate Book Value		
Quoted Investments	4,978.17	5,181.24
Unquoted Investments	-	16.21

Schedule VI

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

Brought Forward	101.96	(12,532.98)
During the year		
Add: Deferred Tax Assets		
Carry forward Losses	*	(95.97)
Unabsorbed Depreciation	*	8,436.11
Other Timing Difference	*	7,664.17
Less: Deferred Tax Liability		
Fixed Assets	*	3,574.85
Deferred Revenue Expenditure	*	(205.48)
Less: Deferred Tax Asset written off	<u>101.96</u>	<u>-</u>
Carried Forward	-	<u>101.96</u>
*Refer Note 15 on schedule XXII		

Schedule VII

INVENTORIES

7205 (Previous Year 10932)Equity Shares of Rs.10/-		
Each in Oswal Agro Mills Ltd.		
Raw Materials	1.48	2.25
Work In Progress	6066.47	3,965.01
Finished Goods	3,626.42	1,653.26
Stores & Spares (Including In Transit Rs. 386.74 Lacs-	23,022.22	24,462.88
Previous Year Rs.51.48 Lacs)	6,944.86	6,306.84
Loose Tools	0.37	0.43
	<u>39,661.82</u>	<u>40,390.67</u>

Schedule VIII

Sundry Debtors (Considered Good)

Over Six Months		
Secured	13.07	17.42
Unsecured	12,548.39	22,853.88
Others		
Secured	119.67	54.03
Unsecured	<u>34,424.23</u>	<u>23,392.94</u>
	<u>47,105.36</u>	<u>46,318.27</u>

Schedule IX

Cash & Bank Balances

Cash & Cheques In Hand Including Postage Imprest	298.75	169.89
Balances With Scheduled Banks		
Current Accounts	32.54	42.28
Dividend Accounts(Refer schedule XI) *	41.26	41.26
Fixed Deposit **	2,321.36	1,740.92
Margin Money	12.50	52.00
Employee Security Deposit-Fixed Deposit	32.72	27.22
Employee Security Deposit-Saving Bank Account	1.07	1.71
	<u>2,740.20</u>	<u>2,075.28</u>

** Pledged against Bank Guarantees and Letters of Credits Rs.2321.16 Lacs (Previous Year Rs.1269.72 Lacs)

CONSOLIDATED SCHEDULES TO ACCOUNTS

Schedule X	As At 31.03.2004	As At 31.03.2003
	(Rs.in lacs)	(Rs.in lacs)
Loans & Advances (Note 12 & 19 on schedule XXII)		
(Unsecured and Considered Good Unless Otherwise Stated)		
Advances Recoverable In Cash or in kind or for value to be received	3182.19	3570.07
Less: Provision for Doubtful Advances	<u>139.23</u>	<u>65.56</u>
Interest Accrued but not due on Deposits	58.25	63.99
Balance With Central Excise Etc.	15.29	0.01
Security Deposits	<u>475.79</u>	<u>551.10</u>
	<u>3,592.29</u>	<u>4,119.61</u>

Schedule XI
Current Liabilities (Note 9 on schedule XXII)

Sundry Creditors		
i) Total outstanding dues of Small Scale Industrial Undertakings	1.68	20.54
ii) Total outstanding dues of Creditors Other Than Small Scale Industrial Undertakings	15,776.56	12,236.34
Deferred Income	2,628.81	1,969.11
Provision for Zero Coupon Optionally Convertible Preference Shares	2,185.95	-
Advances from Customers	1,539.49	1,169.09
Other Liabilities	2,759.44	2,867.41
Investors Education & Protection Fund (Appropriate amount shall be transferred to "Investor Education and Protection Fund" if and when due)		
-Unpaid Dividends (refer schedule IX) *	41.50	41.71
-Unpaid Application Money	-	9.78
-Unpaid Matured Debenture & Interest Due thereon	13.29	253.53
Interest accrued but not due	<u>4,377.13</u>	<u>5,528.68</u>
	<u>29,323.85</u>	<u>24,096.19</u>

Schedule XII
Provisions

Gratuity	266.31	208.70
Leave With Wages	123.51	92.55
Wealth Tax	17.97	4.70
Current Tax (Net of Advance Tax Rs 654.84 Lacs Previous Year Rs.367.09 Lacs)	<u>890.77</u>	<u>607.31</u>
* Under Reconciliation	<u>1,298.56</u>	<u>913.26</u>

Schedule XIII

	For The Year Ended on 31.03.2004	For The Year Ended on 31.3.2003
	(Rs.in lacs)	(Rs.in lacs)
Other Income		
Profit on Sale of Assets	7.62	1.92
Interest Concession Received	-	185.86
Interest on Fixed Deposits - Gross (TDS Rs.30.75 Lacs Previous Year Rs.38.81 Lacs)	404.10	184.36
Foreign Exchange Fluctuation	352.98	-
Miscellaneous Income	758.08	582.18
Provision no longer required written back	<u>668.81</u>	<u>195.64</u>
	<u>2,191.59</u>	<u>1,149.96</u>

Schedule XIV
Raw Material Consumption

Opening Stock	3,965.01	5,407.59
Add: Purchases	<u>47,995.66</u>	<u>58,327.61</u>
	<u>51,960.67</u>	<u>63,735.20</u>
Less: Closing Stock	<u>6,066.47</u>	<u>3,965.01</u>
	<u>45,894.20</u>	<u>59,770.19</u>

OSWAL CHEMICALS & FERTILIZERS LIMITED



CONSOLIDATED SCHEDULES TO ACCOUNTS

Schedule XV

	For The Year Ended on 31.03.2004 (Rs. in Lacs)	For The Year Ended on 31.3.2003 (Rs. in Lacs)
Other Manufacturing Expenses		
Stores Consumed *	5,272.20	5,516.90
Packing Material Consumed	2,565.43	3,008.79
Power & Fuel	25,066.27	18,922.99
Others	516.96	146.73
Repairs - Building	27.89	84.12
- Machinery	606.34	585.98
- Others	112.48	82.98
	<u>34,167.57</u>	<u>28,348.49</u>

* Excluding Charged to other Revenue Heads Rs 133.95 Lacs
(Previous Year Rs. 356.41 Lacs)

Schedule XVI

Employees' Cost (Note 18 on schedule XXII)

Salaries, Wages, Bonus and other Allowances	2,721.91	3,123.16
Contribution to Provident Fund & Employees State Insurance	144.81	158.74
Welfare Expenses	151.53	218.96
	<u>3,018.25</u>	<u>3,500.86</u>

Schedule XVII

Selling Expenses

Freight & Handling Charges	9,705.64	12,874.71
Rebate & Discounts	471.83	319.73
Commission	-	9.63
Other Selling Expenses	1,987.30	6,605.35
	<u>12,164.77</u>	<u>19,809.42</u>

Schedule XVIII

Finance Expenses

Interest - On Fixed Loans	17,910.45	21,147.41
- On Debentures	7,392.74	7,913.57
- On Others	4,632.93	5,808.36
Bank Charges	342.82	641.09
	<u>30,278.94</u>	<u>35,510.43</u>

Schedule XIX

Administration Expenses (Note 18 on schedule XXII)

Rent	88.72	161.71
Rates & Taxes	88.40	123.40
Insurance	775.29	996.76
Foreign Exchange Fluctuation	-	267.58
Loss on Sale/Writeoff of Assets	842.09	5.05
Other General Expenses	1,618.37	1,788.53
Provision for Obsolete Stores	-	238.41
Bad Debt/Advances Written Off/Provided	134.38	18.84
Miscellaneous Expenditure, Written off	523.05	523.05
	<u>4,070.30</u>	<u>4,123.33</u>

CONSOLIDATED SCHEDULES TO ACCOUNTS

Schedule XX	For The Year Ended on 31.03.2004 (Rs. in Lacs)	For The Year Ended on 31.3.2003 (Rs. in Lacs)
-------------	---	--

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

Opening Stock		
Finished Goods	28,462.88	16,976.74
Stock - In - Process	1,653.26	2,624.57
Shares held as Stock in Trade	1.48	2.25
	<u>30,117.62</u>	<u>19,603.56</u>
Less : Closing Stock		
Finished Goods	23,022.22	28,462.88
Stock - In - Process	3,626.42	1,653.26
Shares held as Stock in Trade	1.48	2.25
	<u>26,650.12</u>	<u>30,118.39</u>
	<u>3,467.50</u>	<u>(10,514.83)</u>

Schedule XXI

Prior Period Adjustments

Other General Expenses	344.34	312.90
Miscellaneous Income	(1.16)	(27.18)
Rates & Taxes	15.34	748.39
Depreciation Written Back	-	(7.99)
Depreciation	41.71	-
Interest	309.20	-
	<u>709.43</u>	<u>1,026.12</u>

SCHEDULE XXII

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 Sugar Corporation, Universal Associates and Shanmuga 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

All the fixed assets are stated at cost less accumulated depreciation. Cost includes all incidental expenditure net of MODVAT/CENVAT wherever applicable. The Company provides for depreciation as follows:

i) Urea Division

Urea and Power Generation plants: On the basis of technical evaluation of the useful life. Accordingly, the Company is charging depreciation @ 25% 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) LOPE division

Plant and Machinery at the rates determined on the basis of technological re-evaluation of the useful life of the plant from the date the assets were put to use after modification/ additions. Accordingly, depreciation is being provided @ 35 % on WDV of the assets. The other assets 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 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 are being 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

iii) Stock in Trade in AOPs

At cost or net realisable value whichever is lower

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 provisional rates notified by Govt. of India which are subject to revision based on a study carried out by Govt. of India. 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 recognised 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.

3. Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) Rs.725.25 lacs (Previous Year Rs.1190.35 lacs).

4. Contingent Liabilities not provided for in respect of :

	Year ended March 31, 2004	Year ended March 31, 2003
(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 disputed by the Company	921.96	772.03
d) Demands/show cause notices received from Sales Tax department.	369.65	Amount not quantifiable
e) Demand received for water charges disputed by the company.	388.52	-
f) Demand received for Entry Tax in Orissa	527.39	527.39
g) Demand for minimum guaranteed wharfrage, disputed by the Company.	1018.46	408.12
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) Other claims against the Company not acknowledged as debts	1468.54	1274.43
(ii) 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 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 the final reconciliation by customs authorities.		
(iii) The Government had levied an Import Pass Fee amounting to Rs.42.85 lacs for import of industrial alcohol in the State of West Bengal. The Company has challenged the levy and the matter is currently pending in the Calcutta High Court. The management is of the view that no provisions need to be made, as the matter is subjudice.		
5. (a) The Income Tax Department has completed assessments and raised demands amounting to Rs.3411.17 lacs for assessment years 1998-99, 1999-00, 2000-01 & 2001-02. No provision has been made for the same since the Company has been legally advised that these demands are not sustainable and has filed appeals before appropriate authorities. Further, assessment year 2002-03 involves certain issues including those which are similar in nature for which assessment has been completed during the year.		
(b) Further, the Income Tax Department reopened the assessment for assessment year 1995-96 on the basis of a statement by one of the machinery suppliers of the Company before the settlement commission and raised a demand for Rs.217.57 lacs against which the Company has filed an appeal with the appropriate authority. No provision has been made for the same since, in the opinion of management, the demand is not sustainable.		
(c) Income Tax Assessment of AOPs has been completed upto the Assessment year 2001-02. Demands for an aggregate amount of Rs.39.38 lacs (Previous Year Rs.33.38 lacs) have been raised by the Income Tax Deptt. for the assessment years 1988-89 to 1990-91 against which appeals are pending before ITAT Mumbai.		
6. (a) Investments (Schedule VI) include equity shares in Oswal Agro Mills Limited (OAML) amounting to Rs.4926.15 lacs. The market value of these investments as at March 31, 2004 stands at Rs.122.16 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) Market value of quoted investments at the close of the year was Rs.2873.30 lacs (Previous Year Rs.3336.39 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.21,766.92 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 :

(Rs.in Lacs)

	Year ended March 31, 2004	Year ended March 31, 2003
Concession on Urea (including arrears for Earlier Years Rs. 2934.17 lacs - Previous Year net of recovery Rs.541.08 lacs)	25420.94	15245.56
Equated Freight on Urea (including arrears for Previous Years Nil lacs - Previous Year Rs. 623.58 lacs).	3663.52	4210.15
Concession on DAP / NP	14267.72	15822.97

9. A detailed exercise is in progress to reconcile various accounts (both debit and credit) the aggregate net debit balance being Rs. 114.44 lacs with suppliers of the DAP Division. Adjustments, if any, arising from these exercises, which are not likely to be material, will be accounted for on completion of the same.

A similar reconciliation exercise is being carried out for the interest payable to the eastwind debentureholders and bondholders. Pending completion of the reconciliation, the company has paid Rs.250.07 lacs during the year to certain debentureholders based on claims received from them.

10. Pre-operative expenditure incurred on DAP Division and not attributable to the construction activity is being written off over a period of 3-5 years from the date of commercial production i.e. 1st April, 2001 as per details given below:

(Rs.in Lacs)

	Year ended March 31, 2004	Year ended March 31, 2003
Balance brought forward	1569.16	2092.21
Less : Written off during the year	523.06	523.05
Total	1046.11	1569.16

11. Directors' Remuneration :

(Rs.in Lacs)

	Year ended March 31, 2004	Year ended March 31, 2003
Salary & allowances	54.00	54.00
Contribution to Provident Fund	6.48	6.48
Perquisites	52.23	45.96
Sitting Fees	2.80	2.10
Total	115.51	108.44

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. Loans and advances as given in Schedule X include :

(Rs.in Lacs)

	As at March 31, 2004	As at March 31, 2003
Maximum Amount due from Directors and Secretary at any time during the year	1.55	0.23

13. Auditors' Remuneration :

(Rs. Lacs)

	As at March 31, 2004	As at March 31, 2003
Audit Fee	21.00	15.00
Certification work	6.00	3.00
Other Services	9.00	8.00
Out of Pocket Expenses (including services tax)	8.97	5.65

14. The amount of U.P. Trade Tax on Urea collected during the period 1.3.2003 to 28.2.2004 amounting to Rs. 1180.18 lacs (Previous Year Rs.1216.59 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 during March, 2004 amounting to Rs. 17.76 lacs (Previous Year Rs.17.63 lacs), pending conversion into Interest Free Loan is included under the head "Current Liabilities".

15. In view of continued losses and principles of prudence, the Company has written off deferred tax asset (net) of Rs.101.96 lacs brought forward from previous year and has also not recognized additional deferred tax asset (net) for the year.

16. Financial Institutions have an option to convert a part of their term loans/debentures amounting to Rs.34711.41 lacs (Previous Year Rs.33000.56 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 amounting to Rs.128064.36 lacs (Previous Year Rs.102482.60 lacs) in the event of default as stipulated in the respective loan agreements.

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.

18. Employee cost (Schedule XVI) and Administrative expenses (Schedule XIX) are net of 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. Loans and advances (Schedule X) includes Rs.50 lacs being amount of cash seized during the year by the Income Tax authorities under section 132 of the Income Tax Act, 1961. The company has applied to the appropriate authority for release of the cash seized.

20. The Debt Restructuring Scheme for secured loans of DAP Division of the Company has been approved by the Corporate Debt Restructuring Cell and all lenders, other than Unit Trust of India, subject to compliance of certain terms and conditions including the issue of Zero Percent Optionally Convertible Preference Shares as compensation for the interest reset (for the entire tenure of term 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.2,186 lacs, being the net present value as on 1st April, 2003 of the amount of interest reduction for the year ended 31st March, 2004 required to be compensated in the above manner. Pending issue of Preference Shares, this amount has been included under current liabilities (Schedule XI). Further, the funded interest amount has been converted to Funded Interest Term Loan amounting to Rs.12,559.99 lacs as per the said Scheme by some lenders, which is pending confirmation/reconciliation.

21. Schedule X includes Rs. Nil (Previous Year Rs.218.86 lacs) being unexpired foreign exchange fluctuation on account of forward exchange contracts outstanding at the year end.

22. Earning Per Share (EPS) – Numerators and Denominators used to calculate basic and diluted earnings per share:

	Year ended March 31, 2004	Year ended March 31, 2003
	(Rs. in Lacs)	
Loss attributable to Equity Shareholders (Rs.)/(A)	2,83,41,54,959	2,20,55,60,622
Basic/Weighted average of Equity Shares outstanding during the year (B)	25,68,06,756	25,68,06,759
Nominal Value of Equity Shares (Rs.)	10	10
Basic/Diluted Earning per share (Rs.) (A)/(B)	(11.04)	(8.59)

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

23. 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 Bhatta
Mr. Ranjan Sharma
Mrs. Poonam Sharma (Wife of Mr. Ranjan Sharma)
- (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, Atul Properties Limited.

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

Type of Relationship	Nature of Transactions	(Rs. in Lacs)	
		2003-04	2002-03
a) Major Shareholders	Managerial Remuneration	35.26	36.76
	Profit/(Loss) in AOPs	0.07	(0.10)
b) Key Management Personnel & their relatives	Managerial Remuneration	77.45	69.57
	Rent paid	10.80	10.80
c) Enterprises over which major shareholders and key Management Personnel have significant influence	Rent paid	12.00	12.00
	Services availed	16.90	362.46
	Payments made by Company on their behalf	118.71	297.25
	Their share of common expenses	248.45	-
	Funds Received by Company	313.59	4955.07
	Payments received by Company on their behalf	0.58	54.50
	Payments made on behalf of Company	11.66	0.29
	Adjustment of funds received	-	5705.75
	Unsecured loan received/(repaid)	5.90	(13.35)
	Interest paid	5.15	9.45
Balances outstanding at year end			
a) Major Shareholders	Minority Interest	0.17	0.02
b) Enterprises over which major shareholders have significant influence	- Investments	4926.15	4926.15
	- Receivable	36.54	-
	- Payable	0.09	-
Unsecured loans		93.15	87.25
Stock in Trade		1.48	2.25

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:

- a) increasing the capacity utilization levels,
- b) increasing the market share, especially in view of better monsoon,
- c) restructuring the long term loans and
- d) reducing the interest cost.

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

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 account

For and On behalf of the Board

Place: New Delhi
Date: 30th July, 2004

H.K. Gupta
Company
Secretary

S.P. Anya
GM(Finance)

Abhey Oswal
Chairman &
Managing Director

Anil Bhatta
Director

Ranjan Sharma
Finance
Director

OSWAL CHEMICALS & FERTILIZERS LIMITED

Registered Office :

Village Piprola, Jalalabad Road, Shahjahanpur - 242 001 (U.P.)

(PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.)

Name of the attending Shareholder / Proxy
(in block letters)

Regd. Folio No.

No. of Shares held.....

DP ID No. / Clients ID No.

I hereby record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company, being held on Wednesday, the 25th August, 2004 AT 11.00 a.m. at Company's Registered Office at Village Piprola, Jalalabad Road, Shahjahanpur - 242 001 (U.P.)

(SIGNATURE OF PROXY HOLDER)

(SIGNATURE OF SHAREHOLDER)

NOTE: Shareholder / Proxy is requested to bring the Attendance Slip with him/her when they come to the meeting. No attendance slip will be issued at the time of meeting.

For Office Use

PROXY FORM

OSWAL CHEMICALS & FERTILIZERS LIMITED

Registered Office :

Village Piprola, Jalalabad Road, Shahjahanpur - 242 001 (U.P.)

(PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.)

Folio No.

No. of Shares held

I/We of

..... being a member/members of OSWAL CHEMICALS & FERTILIZERS LIMITED hereby appoint of

or failing him/her of

as my / our proxy to vote for me / us and on my / our behalf at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company to be held on Wednesday, the 25th August, 2004 and at any adjournment thereof.

Signed

For Oswal Chemicals & Fertilizers Ltd.

Dated

Affix
Re. 1/-
Revenue
Stamp

NOTE :

1. The form should be signed across the stamp as per specimen signature registered with the Company
2. The Companies Act, 1956 lays down that the instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than FORTY EIGHT HOURS before the time fixed for holding the meeting.
3. A proxy need not be a Shareholder of the Company.

H. K. GUPTA
Company Secretary