

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 Saturday the 25th August, 2004 at 11.00 a.m. at the Registered Office of the Company at Village Piprola, Jalalabad Road, Shahjahanpur – 242 001 (U.P.) to transact the following business :

ORDINARY BUSINESS:

1. 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.
2. To appoint a Director in place of Shri Ranjan Sharma who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri P. Kumar who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS :

4. 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

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THAT THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY, DULY STAMPED AND SIGNED, NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. 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).
3. 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.
4. Shareholders interested in giving nominations in respect of the shares held by them can do so by obtaining nomination forms from the Company.
5. Company's Equity Shares are compulsory traded in Demat Form and therefore shareholders are requested to get their shares dematerialized by opening an account with a Depository Participant through "National Securities Depository Ltd" or Central Depository Services Limited.
6. 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.
7. 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.
8. The Register of Directors' shareholding in the Company shall remain open for inspection to the Members and Debentureholders of the Company during 10.00 a.m. to 12.00 noon on each working day beginning with 14 days prior to the date of annual general meeting and ending 3 days after the date of its conclusion at the Registered Office of the Company.

9. The Investors may send the documents for transfer of shares and other correspondence/queries relating to shares directly to the registrar and share transfer agent of the Company M/s Skyline Financial Services Pvt Ltd. 123, Vinobapuri Lajpat Nagar-II, New Delhi 110024.
10. Members holding shares in the dematerialized mode are requested to intimate all changes with respect to their Bank Details, 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.
11. In all correspondence with the Company, members are requested to quote their account / folio numbers and in case their shares are held in the dematerialized form, they must quote their client ID number and their DP ID number.

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

Shri 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, (ii) Investor Grievance Committee and (iii) Committee of Directors of your company.

Shri P. Kumar retired as Chief General Manager of IDBI. He has worked with RBI and IDBI for over 39 years in the various capacities. He was handling project appraisal, monitoring, promotional and development 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 & Co, Chartered Accountants, New Delhi, the Auditors of the Company who are retiring after the conclusion of this Annual General Meeting have sent their letter of resignation expressing their inability to continue as Company's Auditors on conclusion of the Annual General Meeting. 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 that 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 being re-appointed in the Annual General Meeting, the 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)
Transfer from General Reserve	(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 Phosphatic (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/NP 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 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'S 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, Management Discussion and Analysis Report and Corporate Governance Report 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 (ABHEY OSWAL)
Date : 30th July, 2004 CHAIRMAN
& MANAGING DIRECTOR

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:

Sl. No.	Name of Director	Designation	Category	Number of Directorships in other Companies	Memberships in the Board and Committee of other Companies	
					Board	Committee
1	Shri Abhey Oswal	Chairman & Managing Director	Executive Director	1	NIL	NIL
2	Shri Anil Bhalla	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 Non-Independent Director	1	NIL	2
			Independent Director			
5	Shri A. Karati	ICICI Nominee	- do -	8	NIL	3
6	Shri S.C. Marwaha	SBI Nominee	- do -	2	NIL	1
7	Shri C.M. Bhargav	LIC Nominee	- do -	NIL	NIL	NIL
8	Shri S.C. Bhandari	GIC Nominee	- do -	2	NIL	NIL
9	Shri U.P. Singh	UTI Nominee	- do -	NIL	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 Director			
Shri Abhey Oswal	5	2	NO
Shri Anil Bhalla	5	5	NO
Shri Ranjan Sharma	5	5	YES
Non-Executive Directors			
Shri P. Kumar	5	4	NO
Shri S.C. Marwaha (SBI)	5	4	NO
Shri A. Karati (ICICI)	5	5	YES
Shri C.M. Bhargav (LIC)	5	3	NO
Shri S.C. Bhandari (GIC)	5	3	NO
Shri U.P. Singh (UTI) (b)*	1	-	NO
Shri R.Loonkar (IFCI) (c)*	1	-	NO
Shri C.P. Philip (IDBI) (d)*	-	-	NO

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

Date of Board Meetings
30.05.2003, 28.06.2003, 30.07.2003, 31.01.2003, 31.01.2004 & 27.03.2004

3. COMMITTEE OF BOARD OF DIRECTORS:

The Board of Directors had constituted 4 Committees of the Board, namely Share Transfer Committee, Audit Committee, Investors Grievance Committee, Committee of Directors 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/Deface/Remat	Shri Anil Bhalla	21	20
ShareCertificates etc.	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 including coverage and frequency of internal Audit.
f.	Discussion with internal auditors regarding any significant findings and follow up thereon.
g.	Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
h.	Discussion with the external auditors before the audit commences, nature and scope of audit and also to have post Audit discussion for area of concern.
i.	Reviewing the company's financial and risk management policies.
j.	To look into the reasons for default in payment to Depositors, Debentureholders & Shareholders, and Creditors.
k.	To investigate any activity within its terms of reference and to seek Legal or Professional advise and any information from the Employees of the Company or outsiders having expertise as may be deemed necessary.

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 Loonkar **	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 during the year is as under :-

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

OSWAL CHEMICALS & FERTILIZERS LIMITED



COMMITTEE OF DIRECTORS

No meeting of committee of Directors was held during the year.

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. The recommendations 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	2003-2004
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 Resolution passed	2	1	NIL

POSTAL BALLOT:

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

7. DISCLOSURES :

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

8. MEANS OF COMMUNICATION:

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

9. INTERNAL AUDITORS:

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

10. REMUNERATION OF DIRECTORS

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

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

Details of remuneration/sitting fees paid to Directors of the Company during the financial year ended March 31, 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 Bhalla	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	25,000/-
10	Shri R.Loonkar	NIL	NIL	NIL	NIL
11	Shri C.P. Philip	NIL	NIL	NIL	NIL

11. GENERAL SHAREHOLDERS' INFORMATION:

Annual General Meeting is proposed to be held

Date	:	25th 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
31.03.2003	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, 14/113, Civil Lines,Kanpur-208 001	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 Limited11 Second Line Beach, Chennai-600 001	Not available
5	The Stock Exchange-MumbaiPhiroze 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. Shahjanand 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 were paid to UP Stock Exchange & National Stock Exchange.

(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	6.95	4.35	6.95	4.40
July, 2003	7.01	5.00	7.40	5.00
August, 2003	11.60	5.50	9.85	5.60
September,2003	7.85	4.46	7.75	6.05
October,2003	4.85	3.91	-	-
November, 2003	6.25	3.81	-	-
December, 2003	9.45	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

Shareholding 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	2529845	0.99	999	0.30
3001-4000	1376263	0.53	390	0.12
4001-5000	1511370	0.59	325	0.10
5001-10000	3188283	1.24	440	0.13
10001-and above	181296319	70.60	347	0.10
TOTAL	256809159	100.00	338203	100.00

AUDITORS' REPORT

To the Shareholders of Oswal Chemicals & Fertilizers Limited

- 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.
- 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.
- 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.
- Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- 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;
- 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;
- 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;
- 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';
- 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;

- 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:

- in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
- in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- 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. 21,768.92 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.

V.Nijhawan
Partner

For and on behalf of
PriceWaterhouse
Chartered Accountants

Place: New Delhi
Dated: June 28, 2003

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]

- 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.

- a) 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. 1,880.05 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.641.21 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 -

OSWAL CHEMICALS & FERTILIZERS LIMITED



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, 2002-02	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	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.

V.Nijhawan
Partner

Place: New Delhi
Dated: 29th June, 2004

For and on behalf of
PriceWaterhouse
Chartered Accountants

Balance Sheet
As At 31st March 2004

Particulars	Schedule No.	As At 31.03.2004	As At 31.03.2003
(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
		<u>104,343.76</u>	<u>104,343.76</u>
Loan Funds			
Secured Loans	III	249,036.02	242,302.84
		<u>353,379.78</u>	<u>346,646.60</u>
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
		<u>228,118.23</u>	<u>243,459.73</u>
Investments		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
		<u>93,092.39</u>	<u>92,897.41</u>
Less: Current Liabilities & Provisions			
Current Liabilities	XI	29,323.69	24,096.03
Provisions	XII	1,298.45	913.19
		<u>30,622.14</u>	<u>25,009.22</u>
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
		<u>353,379.78</u>	<u>346,646.60</u>
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
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

Abhey Oswal
Chairman & Managing
Director

Ranjan Sharma
Finance
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)
Income			
Sales (Note 8 on schedule XXII)		120,884.36	124,575.53
Other Income	XIII	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	18,843.06
Administration Expenses	XIX	4,069.32	4,124.01
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		(28,234.95)	(34,681.99)
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 21 on Schedule XXII) (Rs.)		(11.03)	(8.58)
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
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

Abhey Oswal
Chairman & Managing
Director

Ranjan Sharma
Finance
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2003

PARTICULARS	Year Ended	Year Ended
	March 31, 2004	March 31, 2003
	Amount	Amount
	(Rs. lacs)	(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)	(184.36)
(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/write off of Investment	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	134.38	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		
	5,496.71	4,212.07
Cash generated from operations	26,361.91	25,656.29
- 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	1,656.95	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 setout 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.33.7
- 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 lacs (Previous year Rs.1.04 lacs) adjusted against the proceeds from loans.

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
For and on Behalf of
Price Waterhouse
Chartered Accountants

H.K. Gupta
Company
Secretary

S P Arya
GM (Finance)

Anil Bhalla
Director

Abhey Oswal
Chairman & Managing
Director

Ranjan Sharma
Finance
Director

Place: New Delhi
Dated: 29th June, 2004

Schedules to Accounts

Schedule I	As At 31.03.2004	As At 31.03.2003
Share Capital (Note 18 On schedule XXII)	(Rs.in Lacs)	(Rs.in Lacs)
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 the expiry of 15 years from the date of allotment i.e., 31st October 2001	<u>24,000.00</u> <u>49,680.92</u>	<u>24,000.00</u> <u>49,680.92</u>

Schedule II	As At 31.03.2004	As At 31.03.2003
Reserves & Surplus	(Rs.in Lacs)	(Rs.in Lacs)
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 24 on Schedule XXII

Schedule III

As At 31.03.2004

As At 31.03.2003

Secured Loans (Note 16 and 18 on Schedule XXII)		(Rs.in Lacs)	
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	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
I v)	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)	RUPEES 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>

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 Balagarh, 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 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 Shahjahanpur fertilizer plant of the Company and shall rank pari passu with the charges created for securing working capital facilities.

OSWAL CHEMICALS & FERTILIZERS LIMITED



Schedule IV

(Note 3(i)(a), 3(i)(b) & 13, on Schedule XXII)

Fixed Assets

(Rs.in Lacs)

Particulars	Gross Block				Depreciation				Net Block	
	As at 01.04.2003	Addition/Adj stment during the year	Sale/Adjust ments during during the year	As at 31.03.2004	As at 01.04.2003	For the Year #	Written Back/ Adjusted Dur- ing the year	As at 31.03.2004	As at 31.03.2004	As at 31.03.03
Land										
-Leasehold *	1,005.78	-	-	1,005.78	68.83	10.20	-	79.03	926.75	936.95
-Freehold	372.57	-	-	372.57	-	-	-	-	372.57	372.57
-Site Development	6,466.73	-	-	6,466.73	152.82	76.41	-	229.23	6,237.50	6,313.91
Building										
-Leasehold	30.68	-	-	30.68	1.70	0.45	-	2.15	28.53	28.98
-Freehold **	20,571.34	303.05	30.36	20,844.03	4,618.10	929.87	8.86	5,539.11	15,304.92	15,953.24
Plant & Machinery	325,906.83	2,379.31	1,209.12	327,077.02	114,144.28	15,943.42	201.76	129,885.94	197,191.08	211,762.55
Plant & Machinery - held for disposal ***	9,837.25	-	-	9,837.25	8,870.17	320.84	-	9,191.01	646.24	967.08
Machinery Spares	1,008.44	0.51	-	1,008.95	223.36	81.42	-	304.78	704.17	785.08
Furniture & Fixture	905.74	9.27	1.68	913.33	665.32	50.38	1.24	714.46	198.87	240.42
Vehicles	2,113.16	-	8.39	2,104.77	1,503.79	173.73	7.70	1,669.82	434.95	609.37
Total	368,218.52	2,692.14	1,249.55	369,661.11	130,248.37	17,586.72	219.56	147,615.53	222,045.58	237,970.15
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									228,118.23	243,459.73

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

**Includes Railway Sidings, costing Rs.527.64 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**

Investments - Long Terms - Non Trade (Notes 5(a) & (b) and 12 on Schedule XXII)	(Rs.in lacs)	(Rs.in lacs)
A. Quoted (Long Term)		
In Equity Shares (Fully Paid Up)		
152000 (Previous Year 152000) Equity Shares Of Rs.10/- Each Of Nashville Investment & Trading Co. Ltd.	13.81	13.81
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
	<u>4,908.44</u>	<u>5,127.72</u>
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		
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	101.96	-
Carried Forward	<u>-</u>	<u>101.96</u>

*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- Previous Year Rs.51.48 Lacs)	6,944.86	6,306.84
Loose Tools	0.37	0.43
	<u>39,660.34</u>	<u>40,388.42</u>

OSWAL CHEMICALS & FERTILIZERS LIMITED


Schedule VIII	As At 31.03.2004	As At 31.03.2003
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		(Rs. in Lacs)
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	
Less: Provision for Doubtful Advances	139.23	3,042.96	<u>65.56</u>	3,504.5
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

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	<u>2,759.44</u>		<u>2,867.41</u>
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>

Schedule XII**As At 31.03.2004****As At 31.03.2003****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>

* Under Reconciliation

Schedule XIII**For The Year
Ended on 31.03.2004
(Rs.in lacs)****For The Year
Ended on 31.3.2003
(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	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
	51,960.67	63,735.20
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>

OSWAL CHEMICALS & FERTILIZERS LIMITED


Schedule XVIII	For The Year Ended on 31.03.2004 (Rs.in lacs)	For The Year Ended on 31.3.2003 (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
	30,273.63	35,500.82
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	1,789.21
Provision for Obsolete Stores	-	238.41
Bad Debt/Advances Written Off/Provided	134.38	18.84
Miscellaneous Expenditure Written off	523.05	523.05
	4,069.32	4,124.01
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
	30,116.14	19,601.31
Add: Stock out of Trial Run		
-Finished Goods	-	-
Work In Progress	-	-
	30,116.14	19,601.31
Less : Closing Stock		
Finished Goods	23,022.22	28,462.88
Work In Progress	3,626.42	1,653.26
	26,648.64	30,116.14
	3,467.50	(10,514.83)
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	-
	709.43	1,026.12

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.		
(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.		
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 Chemtrols Engineering Ltd. and Khandelwal Industries, whose dues are outstanding for more than 30 days.

8. Sales Include :	Year ended March 31, 2004	(Rs.in Lacs) 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. 1 st 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.

OSWAL CHEMICALS & FERTILIZERS LIMITED



	As at March 31, 2004	(Rs. in Lacs) 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	
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 Pradeshiya 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 1 st April, 2003 of the amount of interest reduction for the year ended 31 st 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:		
8. Sales Include :	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.
Shanenjula 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./Lakhs	
		Volume of Transactions 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 :

- 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.

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:-

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

I. Registration Details

Registration No.

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

State Code

2	0
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

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

Date Month Year

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

Public Issue

-	-	N	I	L	-	-
---	---	---	---	---	---	---

Bonus Issue

-	-	N	I	L	-	-
---	---	---	---	---	---	---

Right 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
---	---	---	---	---	---	---

Secured Loans

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

Reserve & Surplus

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

Application of Funds

Net Fixed Assets

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

Net Current Assets

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

Investments

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

Misc. Expenditure

	1	0	4	69	1	1
--	---	---	---	----	---	---

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

Turnover

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

Profit Before Tax

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

Earning per Share (Rs.)

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

Total Expenditure

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

Profit After Tax

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

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
---	---	---	---	---	---	---	---	---	---

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

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

Product Description

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

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

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 examined 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 then 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 generally accepted auditing standards generally accepted in India. These 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 prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, (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, On the basis of the information and explanations given to us 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, gives a true and fair view 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 than ended on that date,; and
 - c. in the case of the consolidated cash flow statement, gives a true and fair view of the consolidated cash flows of Oswal Chemicals & Fertilizers Limited and its subsidiaries for the year than 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.

V.Nijhawan
Partner

Place: New Delhi
Dated: 29th June, 2004

For and on behalf of
PriceWaterhouse
Chartered Accountants

Consolidated Balance sheet as at 31 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	49,680.88	49,680.88
Reserves & Surplus	II	54,662.84	54,662.84
		<u>104,343.72</u>	<u>104,343.72</u>
Minority Interest		1.49	1.49
Loan Funds			
Secured Loans	III	249036.02	242,302.84
Unsecured Loans-Long Term From Others		93.15	87.25
		<u>249129.17</u>	<u>242,390.09</u>
Deferred Tax Liability / (Asset)	IV		
		<u>353473.94</u>	<u>346,633.34</u>
Application Of Funds			
Fixed Assets			
Gross Block	V	3696611.18	368,218.59
Less: Depreciation		<u>147615.53</u>	<u>130,248.37</u>
Net Block		222045.65	237,970.22
Capital Work In Progress		<u>6072.65</u>	<u>5,489.58</u>
		248118.30	243,459.80
Investments	VI	4978.17	5,197.45
Current Assets, Loans & Advances			
Inventories	VII		40,390.67
Sundry Debtors	VIII		46,318.27
Cash & Bank Balances	IX		2,075.28
Loans & Advances	X		<u>4,160.41</u>
			92,944.63
Less: Current Liabilities & Provisions			
Current Liabilities	XI		24,096.19
Provisions	XII		<u>954.06</u>
			<u>25,050.25</u>
Net Current Assets			67,894.38
Miscellaneous Expenditure			
(To the extent not written off or adjusted)			
Deferred Revenue Expenditure			1,569.16
(Note 10 on schedule XXII)			
Profit & Loss Account			<u>28,512.55</u>
			<u>346,633.34</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

V. Nijhawan
Partner
For and on Behalf of
Price Waterhouse
Chartered Accountants

H.K. Gupta
Company
Secretary

S P Arya
GM (Finance)

Abhey Oswal
Chairman & Managing
Director

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Place: New Delhi
Dated: 30th July, 2004

OSWAL CHEMICALS & FERTILIZERS LIMITED

**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)		124,575.53	194,321.68
Other Income	XIII	1,149.96	1,121.23
		<u>125,725.49</u>	<u>195,442.91</u>
Expenditure			
Raw Material Consumption	XIV	59,770.19	80,534.07
Other Manufacturing Expenses	XV	28,348.49	28,747.93
Employees' Cost	XVI	3,500.86	4,626.70
Selling Expenses	XVII	19,809.42	22,284.24
Finance Expenses	XVIII	35,510.43	36,267.81
Depreciation		18,843.03	20,489.66
Administration Expenses	XIX	4,123.33	5,544.57
Adjustments due to (Increase)/Decrease in Stock of Finished Goods and Work In Progress	XX	(10,514.83)	(1,397.34)
		<u>159,390.92</u>	<u>197,097.64</u>
Profit/(Loss) before Prior Period Adjustments and Taxation		(33,665.43)	(1,654.73)
Prior Period Adjustments	XXI	1,026.12	1,015.77
Profit/(Loss) before Taxation		<u>(34,691.55)</u>	<u>(2,670.50)</u>
Tax Expense			
Current Tax (Note 5 on schedule XXII)			
Deferred Tax Credit (Note 16 on schedule XXII)		(12,634.94)	(485.91)
Profit/(Loss) after Deferred Tax Credit		(22,056.61)	(2,184.59)
Less:Minority Interest		1.05	0.53
		<u>(22,055.56)</u>	<u>(2,184.06)</u>
Profit brought forward from Previous Year		(6,456.99)	6,194.86
Transfer from General Reserve			2,551.10
		<u>(28,512.55)</u>	<u>6,561.90</u>
Less:			
Deffered Tax Liability on initial adoption (Note 16 on Schedule XXII)		-	13,018.89
		<u>-</u>	<u>13,018.89</u>
Balance Carried to Consolidated Balance Sheet		(28,512.55)	(6,456.99)
Earning Per Share (Nominal value of Rs.10 each)			
Basic / Diluted (Note 20 on Schedule XXII) (Rs.)		(8.59)	(0.85)
Notes to the Consolidated Accounts	XXII		

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

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

For and on behalf of the board

V.Nijhawan
Partner
For and on Behalf of
Price Waterhouse
Chartered Accountants

H.K. Gupta
Company
Secretary

S P Arya
GM (Finance)

Abhey Oswal
Chairman & Managing
Director

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Place: New Delhi
Dated: 30th July, 2004

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			
Net (loss)/profit before tax	(34,691.55)		(2,670.50)
Adjustments for:			
Depreciation	18,843.03		20,489.66
Finance Expense	35,500.82		36,267.81
Interest Income	(184.36)		(147.12)
(Profit)/Loss on Fixed Assets sold	3.13		3.94
Deferred revenue expenditure written off	523.05		523.05
Debts & Advances Written off	-		260.52
Liability no longer required written back	(195.64)		(81.17)
TDS on Rent	(7.94)		-
Unrealised Foreign Exchange Fluctuation	322.98		482.44
Provision for Gratuity & Leave Encashment	33.08		99.83
Provision for Inventory for obsolete/ damaged stock	238.41		9.22
Prior Period Expenses/(Income) (Net)	1,026.11		1,015.77
Wealth Tax Provision	4.70		4.26
Operating profit before working capital changes	21,415.82		56,257.71
Adjustments for changes in working capital :			
- (Increase)/Decrease in Sundry Debtors	19,599.88		(23,294.53)
- (Increase)/Decrease in Other Receivables	(122.55)		16.65
- (Increase)/Decrease in Inventories	(7,326.87)		211.49
- Increase/(Decrease) in Trade and Other Payables	(7,915.45)		2,973.80
- Increase/(Decrease) in Net Current Assets			(20,092.59)
Cash generated from operations	25,651.76		36,165.12
- Prior Period (Expenses)/Income (Net)	(882.70)		(1,015.77)
- Wealth Tax Paid	(4.26)		(4.91)
- Taxes Refund	78.24		-
Net cash from operating activities	24,843.04		35,144.44
B. Cash flow from Investing activities:			
Purchase of fixed assets	(1,702.34)		(9,594.62)
Capital Work in Progress	-		-
Proceeds from Sale of fixed assets	10.16		17.41
Purchase of investments	(22.50)		-
Proceeds from Sale of Investments	-		12.00
Interest Received (Revenue)	161.28		109.14
Net cash used in investing activities	(1,553.40)		(9,456.07)
C. Cash flow from financing activities:			
Proceeds from fresh issue of Share Capital	-		273.99
Proceeds from Minority	-		(2.07)
Proceeds from Unsecured Loans	(13.35)		-
Proceeds from long term borrowings	1,216.59		33,970.16
Repayments of long term borrowings	(6,559.31)		(26,529.24)
Proceeds (Repayments) from short term borrowings/cash credit	5,647.00		(2,223.77)
Finance Expense Paid	(24,781.92)		(23,860.04)
Finance Expense Paid (Capital)	-		(6,286.18)
Dividend Paid	(24.63)		(186.36)
Net cash used in financing activities	(24,514.69)		(24,843.51)
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,225.98)		844.86
Cash and cash equivalents as at 31.03.2002	3,301.26		2,456.40
Cash and Bank balances	3,301.26		2,456.40
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

Notes :

- The above Cash flow statement has been prepared under the indirect method setout 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. 66.34 lacs) and Rs 1269.72 (Previous Year Rs. 2159.69 lacs.)against the margin money for Bank guarantees and Rs.28.93 lacs (Previous Year 26.45) 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.46.75 Lacs (Previous Year Rs.28.78 Lacs)
 - Interest on long term loans amounting Rs. 1.04 lacs (Previous year 4103.35) adjusted against the proceeds from loans.

This is the Consolidated Cash Flow Statement referred to in our report of even date. Notes to the Consolidated Accounts (Schedule XXII) forms an integral part of the Cash flow Statement For and on behalf of the board

V. Nijhawan
Partner
For and on Behalf of
Price Waterhouse
Chartered Accountants

H.K. Gupta
Company
Secretary

S P Arya
GM (Finance)

Abhey Oswal
Chairman & Managing
Director

Anil Bhalla
Director

Ranjan Sharma
Finance
Director

Place: New Delhi
Dated: 30th July, 2004

SCHEDULE XXII

NOTES TO CONSOLIDATED ACCOUNTS

1. Method of Consolidation

The Consolidated financial statements comprise of financial statements of Oswal Chemicals & Fertilizers Limited (the Company) and the Association of Persons (AOPs) under its control namely Sagar Corporation, Universal Associates and Shanenjula 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) 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 |
| 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 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.

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.1190.36 lacs).

OSWAL CHEMICALS & FERTILIZERS LIMITED



4. Contingent Liabilities not provided for in respect of :

(Rs.in Lacs)

	Year ended March 31, 2004	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.

(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.217.67 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.

(c) Income Tax Assessment of AOPs has been completed upto the Assessment year 2001-02. Demands for an aggregate amount of Rs.33.38 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 V) 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.21,768.92 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.

8. Sales Include :

(Rs.in Lacs)

	Year ended March 31, 2004	Year ended March 31, 2003
Concession on Urea (including arrears for Earlier Year 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. 623.38 lacs).	3663.52	4210.15
Concession on DAP / NAP	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:

(Rs.in Lacs)

	Year ended March 31, 2004	Year ended March 31, 2003
Balance brought forward		2092.21
Less : Written off during the year	523.05	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	45.86
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. 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

OSWAL CHEMICALS & FERTILIZERS LIMITED



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)	6.97	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.128084.36 lacs (Previous Year Rs.102482.80 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.12,569.99 lacs as per the said Scheme by some lenders, which is pending confirmation/reconciliation.
21. Schedule X includes Rs. Nil (Previous Year Rs.218.98 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:

(Rs.in Lacs)

	Year ended March 31, 2004	Year ended March 31, 2003
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)	25,68,08,759	25,68,08,759
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 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.

(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	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
	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

OSWAL CHEMICALS & FERTILIZERS LIMITED



24. The Company is operating mainly under a single segment i.e. "Fertilizers", comprising of Urea and Di-ammonium phosphate. Although the Company has certain other units which are closed, the value of assets and liabilities of these units is not significant and therefore there is no reportable segment in terms of the provisions of AS 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.
25. No amount has been transferred to Debenture Redemption Reserve in view of losses during the year.
26. Although the DAP plant has been incurring cash losses, remedial steps have been taken by the management by way of :
- 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.
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. Arya
GM(Finance)

Abhey Oswal
Chairman &
Managing Director

Anil Bhalla
Director

Ranjan Sharma
Finance
Director