

**Tata Chemicals Limited**

## Contents

	Page No.		Page No.
Corporate Information	2	Consolidated Financial Statements	
Notice	3	- Auditors' Report	90
Directors' Report	14	- Balance Sheet	92
Management Discussion and Analysis	25	- Profit & Loss Account	93
Corporate Governance Report	35	- Cash Flow Statement	94
Summarised Balance Sheet and Profit and Loss Account	49	- Schedules to the Profit and Loss Account	96
Auditors' Report	50	- Schedules to the Balance Sheet	98
Balance Sheet	54	- Notes to Consolidated Balance Sheet and Profit and Loss Account	105
Profit and Loss Account	55	Financial Statistics	116
Cash Flow Statement	56		
Schedules to the Profit and Loss Account	58		
Schedules to the Balance Sheet	62		
Notes to the Balance Sheet and Profit and Loss Account	72		
Balance Sheet Abstract and Company's General Business Profile	88		
Financial Highlights — Last Decade	89		

**Annual General Meeting** : July 27, 2007  
**Time** : 3.00 p.m.  
**Venue** : Birla Matushri Sabhagar,  
 19, Sir Vithaldas Thackersey Marg, Mumbai - 400 020

**BOOK CLOSURE DATES**  
**JULY 10, 2007 — JULY 27, 2007**

**Board of Directors***(As of March 31, 2007)***Ratan N. Tata***(Chairman)***R. Gopalakrishnan***(Vice-Chairman)***Nusli N. Wadia****Dr. D. V. Kapur****Prasad R. Menon****Dr. T. Mukherjee****Homi R. Khusrokhhan***Managing Director***Dr. Vijay L. Kelkar****Nasser Munjee****Dr. Yoginder K. Alagh****Registered Office**

Bombay House,  
24, Homi Mody Street,  
Fort, Mumbai 400 001  
Tel: 022-66658282  
Fax: 022-66658143

**Visit us at: [www.tatachemicals.com](http://www.tatachemicals.com)****CORPORATE INFORMATION****Members of the Management Review Committee**

Homi R. Khusrokhhan	Managing Director
P. K. Ghose	Chief Financial Officer
Kapil Mehan	Chief Operating Officer (Fertilisers)
R. Mukundan	Chief Operating Officer (Chemicals)
L. S. Rathore	Chief Operating Officer (Agri-Business)
B. Sudhakar	Head-Corporate HR & Administration
K. V. Rao	Resident Director - Singapore
Vikas Gadre	Chief Information Officer
A. Tyagi	V P-Projects
Dr. Murali Sastry	Chief Scientist
T. Vinod Kumar	Head-Corporate Audit & Risk Management

**Company Secretary**

Shailesh D. Jain

**Registrar & Share Transfer Agent**

TSR Darashaw Limited  
6-10 Haji Moosa Patrawala Industrial Estate  
20, Dr. E. Moses Road,  
Mahalaxmi, Mumbai 400 011.

**Solicitors**

Mulla & Mulla and  
Craigie Blunt & Caroe, Mumbai.

**Auditors**

Messers S. B. Billimoria & Co.,  
Chartered Accountants  
Messers N. M. Raiji & Co.,  
Chartered Accountants

**Works**

Inorganic Chemicals — Mithapur, Gujarat  
Fertilisers — Babrala, Dist. Badaun, U.P.  
Phosphate — Haldia, W. Bengal

**Bankers**

Bank of America, Bank of Baroda, Citibank N.A., Deutsche Bank, HDFC Bank Limited, Standard Chartered Bank, State Bank of India, The Hongkong and Shanghai Banking Corporation Ltd., ICICI Bank Ltd.

## NOTICE

NOTICE IS HEREBY GIVEN THAT THE SIXTY-EIGHTH ANNUAL GENERAL MEETING OF TATA CHEMICALS LIMITED will be held on Friday, July 27, 2007 at 3.00 p.m. at Birla Matushri Sabhagar, 19 Sir Vithaldas Thackersey Marg, Mumbai 400 020, to transact the following business: -

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2007 and the Balance Sheet as at that date, together with Reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend on Ordinary Shares.
3. To appoint a Director in place of Mr. R. Gopalakrishnan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. T. Mukherjee, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Dr. Vijay L. Kelkar, who retires by rotation and is eligible for re-appointment.
6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

**"RESOLVED that** Dr. D. V. Kapur, Director who retires by rotation, does not wish to seek re-election and is not therefore re-appointed a Director of the Company."

**"RESOLVED FURTHER that** the vacancy, so created on the Board of Directors of the Company, will not be filled at this point of time."

7. To appoint auditors and fix their remuneration.
8. **APPOINTMENT OF MR. NASSER MUNJEE AS A DIRECTOR**  
To appoint a Director in place of Mr. Nasser Munjee, who was appointed as an Additional Director of the Company, by the Board of Directors, with effect from September 25, 2006 and who holds office upto the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 ("the Act") but who is eligible for appointment and in respect of whom the Company has received a Notice in writing under Section 257 of the Act from a member proposing his candidature for the office of Director.

9. **APPOINTMENT OF DR. YOGINDER K. ALAGH AS A DIRECTOR**  
To appoint a Director in place of Dr. Yoginder K. Alagh, who was appointed as an Additional Director of the Company, by the Board of Directors, with effect from September 25, 2006 and who holds office upto the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 ("the Act") but who is eligible for appointment and in respect of whom the Company has received a Notice in writing under Section 257 of the Act from a member proposing his candidature for the office of Director.

10. **APPOINTMENT OF MR. PRASAD R. MENON AS A DIRECTOR**  
To appoint a Director in place of Mr. Prasad R. Menon, who was appointed as an Additional Director of the Company, by the Board of Directors, with effect from October 30, 2006 and who holds office upto the date of the ensuing Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 ("the Act") but who is eligible for appointment and in respect of whom the Company has received a Notice in writing under Section 257 of the Act from a member proposing his candidature for the office of Director.

11. **APPOINTMENT OF MR. HOMI R. KHUSROKHAN AS THE MANAGING DIRECTOR OF THE COMPANY**  
To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Company be and is hereby accorded to the appointment of Mr. Homi R. Khurokhan, who was appointed by the Board of Directors as the Managing Director with effect from October 16, 2006 for a period upto December 14, 2008 (till he attains the age of 65) upon the terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year during the aforesaid period) set out in the Explanatory Statement annexed to the Notice convening this meeting."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution"

12. **CHANGE IN PLACE OF KEEPING REGISTERS AND RECORDS**  
To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

**"RESOLVED THAT** in supersession of Resolution No. 7 passed at the 52<sup>nd</sup> Annual General Meeting of the Company held on September 03, 1991 and pursuant to the provisions of Section 163 and other applicable

**Tata Chemicals Limited**

provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) ('the Act'), the Company hereby approves that the Register of Members, Index of Members, Register and Index of Debenture holders, Returns of Allotment made from time to time and copies of all the Annual Returns prepared under Section 159 of the Act, along with other certificates and documents required to be annexed thereto under Section 161 of the Act and other applicable provisions, be kept at the offices of TSR Darashaw Ltd., Registrars and Share Transfer Agents of the Company at 6-10, 1<sup>st</sup> Floor, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400 011 and / or Pooja Apartment, Ground Floor, Near Vitrum Glass, Opp. HCC Ltd., L.B.S Road, Vikhroli (West), Mumbai – 400 079."

**Notes:**

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under items 8 to 12 set out above are annexed hereto. The relevant details in respect of item Nos. 3 to 6 above, as required by Clause 49 of the Listing Agreement entered into with Stock Exchanges are also annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. Members/Proxies should bring the enclosed attendance slip duly filled in, for attending the Meeting, along with the Annual Report.

**Book Closure and Dividend**

4. **The Register of Members and the Share Transfer Books of the Company will be closed from July 10, 2007 to July 27, 2007, both days inclusive.**
5. The dividend, if declared at the Annual General Meeting, will be paid on or after July 30, 2007 to those persons or their mandates:
  - (a) whose names appear as Beneficial Owners as at the end of the business hours on July 09, 2007 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
  - (b) whose names appear as Members in the Register of Members of the Company on July 09, 2007 after giving effect to valid share transfers in physical form lodged with the Company / Registrar and Share Transfer Agents on or before the aforesaid date.
6. **Nomination Facility:**

Members holding shares in physical form may obtain the Nomination forms from the Company's Registrars and Share Transfer Agent.

Members holding shares in electronic form may obtain the Nomination forms from their respective Depository Participants.
7. **Electronic Clearing Services (ECS) facility:**

To avoid loss of dividend warrants in transit and undue delay in respect of receipt thereof, the Company provides ECS facility to the members. ECS facility is available at locations identified by the Reserve Bank of India.

Members holding shares in physical form and who are desirous of availing this facility are requested to contact the Registrar & Share Transfer Agents of the Company.

Members holding shares in the electronic form are requested to contact their respective depositories Participants.
8. **Unclaimed Dividends:**
  - **Transfer to General Revenue Account**

Pursuant to Section 205A(5) of the Companies Act, 1956, all unclaimed dividend upto the financial year ended March 31, 1995 have been transferred to the General Revenue Account of the Central Government. Members, who have not yet encashed their dividend warrant(s) for the said period, are requested to forward their claim in Form No. II prescribed under Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rule, 1978 to:

Office of the Registrar of Companies  
Central Government Office Building  
'A' Wing, Second floor,  
Next to Reserve Bank of India,  
CBD, Belapur 400 614

- **Transfer to the Investor Education and Protection Fund**

Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999 (The Act), the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company, shall be transferred to the Investor Education and Protection Fund (the "Fund") set up by the Government of India.

Accordingly, the dividend which had remained unpaid/unclaimed from the financial year ended March 31, 1996 to March 31, 1999 have been transferred to the fund in respect of the Company and that of erstwhile Hind Lever Chemicals Limited (since merged with the Company effective June 01, 2004), for the financial year ended December 31, 1999 have been transferred to the Fund.

It may be noted that the unpaid/unclaimed dividend for the financial year ended March 31, 2000 in respect of the Company is due for transfer to the Fund on, June 28, 2007 and that of erstwhile Hind Lever Chemicals Limited, for the financial year ended December 31, 2000, is due for transfer to the fund on July 13, 2008.

9. Members are requested to note that pursuant to Section 205 (C) of the Act, no claim shall lie against the Company or the aforesaid Fund in respect of any amount of dividend remaining unclaimed/unpaid for a period of seven years from the dates they became first due for payment. Any person/member who has not claimed dividend in respect of the financial year ended March 31, 2000 or any year thereafter, is requested to approach the Company / The Registrars and Share Transfer Agents of the Company for claiming the same.

**Bank Mandates**

10. In order to provide protection against fraudulent encashment of the warrants, members holding shares in physical form are requested to intimate the Company/Registrar & Share Transfer Agents under the signature of the Sole/First holder, the following information to be incorporated on the Dividend Warrants:

- I. Name of the Sole/First joint holder and the folio Number
- II. Particulars of Bank Account viz.,
  - a) Name of the Bank
  - b) Name of the Branch
  - c) Complete address of the Bank with Pin code Number
  - d) Bank Account Number allotted by the Bank

In respect of other matters pertaining to Bank details, ECS mandates, nomination, power of attorney, change in name/address etc., the members are requested to approach the Company's Registrars and Share Transfer Agents, in case of shares held in physical form and the respective Depository Participants, in case of shares held in electronic form. In all correspondence with the Company/Registrars and Share Transfer Agents, members are requested to quote their account/folio numbers or DP ID and Client ID for physical or electronic holdings respectively.

11. A member desirous of getting any information on the accounts or operations of the Company is required to forward his/her queries to the Company at least seven days prior to the meeting so that the required information can be made available at the Meeting.

On behalf of the Board of Directors  
R. N. TATA  
Chairman

Mumbai  
May 30, 2007

**Registered Office:**  
Bombay House  
24, Homi Mody Street, Fort,  
Mumbai 400 001.

**Tata Chemicals Limited****EXPLANATORY STATEMENT**

The following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos. 6 and 8 to 12 of the accompanying Notice dated May 30, 2007

**Item No. 6:**

In accordance with the provisions of Section 256 of the Act and the Articles of Association of the Company, Dr. D. V. Kapur retires by rotation. Dr. D. V. Kapur has not sought re-election. It has been decided by the Board that the vacancy so created on the Board of Directors of the Company should not be filled.

Dr. D. V. Kapur is a Director of the Company since September 29, 1989. The Board has placed on record its appreciation of the contribution made by him to the Company.

**Item No. 8:**

Mr. Nasser Munjee was appointed as an Additional Director by the Board of Directors of the Company, with effect from September 25, 2006. In accordance with the provisions of Section 260 of the Companies Act, 1956 ("the Act"), Mr. Nasser Munjee will hold office as a Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing under Section 257 of the Act from a member proposing his candidature for the office of the Director.

Mr. Nasser Munjee, being an eminent Economist & Finance Professional, your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert guidance of Mr. Nasser Munjee and therefore commend for approval, the Resolution contained in Item No. 8 of the Notice convening the Annual General Meeting.

None of the Directors except Mr. Nasser Munjee is concerned or interested in Item No. 8 of the Notice.

**Item No. 9:**

Dr. Yoginder K. Alagh was appointed as an Additional Director by the Board of Directors of the Company, with effect from September 25, 2006. In accordance with the provisions of Section 260 of the Companies Act, 1956 ("the Act"), Dr. Yoginder K. Alagh will hold office as a Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing under Section 257 of the Act from a member proposing his candidature for the office of the Director.

Dr. Yoginder K. Alagh holds a doctorate in Economics and a former Minister of Power & Planning, Science & Technology – Government of India, Chairman of BICP and held various positions with the Govt. Your Directors are of the view that the Company would be immensely benefited by the wealth of experience and expert guidance of Dr. Yoginder K. Alagh. The Directors therefore commend for approval, the Resolution contained in Item No. 9 of the Notice convening the Annual General Meeting.

None of the Directors except Dr. Yoginder K. Alagh is concerned or interested in Item No. 9 of the Notice.

**Item No. 10:**

Mr. Prasad R. Menon was appointed as an Additional Director by the Board of Directors of the Company, with effect from October 30, 2006. In accordance with the provisions of Section 260 of the Companies Act, 1956 ("the Act"), Mr. Prasad R. Menon will hold office as a Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing under Section 257 of the Act from a member proposing his candidature for the office of the Director.

Mr. Prasad R. Menon, a Chemical Engineer (B.Tech) from IIT, Kharagpur, was the Managing Director of the Company till October 15, 2006, and has moved to The Tata Power Company Limited as its Managing Director. Your Directors are of the view that Mr. Prasad R. Menon has transformed Tata Chemicals Ltd. to a Global Company and hence the Company would be immensely benefited by the wealth of experience. It may be appropriate for the Company to continue to avail his expertise. Therefore the Directors commend for approval, the Resolution contained in Item No. 10 of the Notice convening the Annual General Meeting.

None of the Directors except Mr. Prasad R. Menon is concerned or interested in Item No. 10 of the Notice.

**Item No. 11:**

The Board of Directors of Tata Chemicals Limited (the Company) re-designated and appointed Mr. Homi R. Khusrokhani – Executive Director, as the Managing Director of the Company with effect from October 16, 2006. Mr. Homi R. Khusrokhani has been the Executive Director of the Company since April 2004.

The Board of Directors at their meeting held on October 30, 2006, approved the terms of appointment of Mr. Homi R. Khusrokhana as the Managing Director of the Company, with effect from October 16, 2006.

**TERMS AND CONDITIONS OF APPOINTMENT:**

1. **Period of Appointment:** From October 16, 2006 to December 14, 2008 (i.e till Mr. Homi R. Khusrokhana attains the age of 65).
2. **Duties & Powers**
  - Mr. Homi R. Khusrokhana, the Managing Director shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and / or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the Boards of such associated companies and / or subsidiaries or any other executive body or any committee of such a Company.
  - The Managing Director shall not exceed the powers so delegated by the Board.
  - The Managing Director undertakes to employ the best of his skill and ability to make his utmost endeavours to promote the interests and welfare of the Company and to conform to and comply with the directions and regulations of the Company and all such orders and directions as may be given to him from time to time by the Board.
3. **Remuneration:** Salary of Rs. 2,40,000/- per month upto a maximum of Rs. 4,00,000/- per month with annual increment effective April 1st every year, as may be decided by the Board, based on the merit and taking into account the Company's performance and benefits, perquisites and allowances as determined by the Board from time to time.
4. **Commission:** Such remuneration by way of commission, in addition to the salary and perquisites and allowances payable, calculated with reference to the net profit of the Company in a particular financial year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Act. The specific amount payable to the Managing Director will be based on the performance as evaluated by the Board or the remuneration committee thereof duly authorized in this behalf and will be payable annually after the Annual Accounts have been approved by the Board.
5. **Minimum Remuneration:** Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay to the Managing Director remuneration by way of salary, perquisites and allowances, as specified above.

**Others**

6. **Summary termination of employment**

The employment of the Managing Director may be terminated by the Company without notice or payment in lieu of notice:

- if the Managing Director is found guilty of any gross negligence, default or misconduct in connection with or affecting the business of the Company or any subsidiary or associate Company to which he is required to render services; or
- in the event of any serious or repeated or continuing breach (after prior warning) or non-observance by the Managing Director of any of the terms and conditions of his appointment; or
- in the event, the Board expresses its loss of confidence in the Managing Director.

7. **Termination due to physical / mental incapacity**

In the event the Managing Director is not in a position to discharge his official duties due to any physical or mental incapacity, the Board shall be entitled to terminate this arrangement on such terms as the Board may consider appropriate in the circumstances.

8. **Resignation from directorships**

Upon the termination by whatever means, of his employment under this arrangement:

**Tata Chemicals Limited**

- the Managing Director shall immediately tender his resignation from office as a Director of the Company and from such other offices held by him in any subsidiary and associated Companies without claim for compensation for loss of office and in the event of his failure to do so, the Company is hereby irrevocably authorised to appoint some person in his name and on his behalf to sign and deliver such resignation or resignations to the Company and to each of the subsidiaries and associated Companies of which the Managing Director is at the material time a Director or other officer.
- the Managing Director shall not without the consent of the Company at any time thereafter represent himself as connected with the Company or any of the subsidiaries and associated Companies.

**9. Appointment co-terminus with employment / directorship**

- The Managing Director is being appointed by virtue of his employment in the Company and his appointment shall be subject to the provisions of Section 283(1) (l) of the Act.
- If and when this arrangement expires or is terminated for any reason whatsoever, Mr. Homi R. Khusrokhani will cease to be the Managing Director and also cease to be a Director. If at any time, the Managing Director ceases to be a Director of the Company for any reason whatsoever, he shall cease to be the Managing Director and this arrangement shall forthwith terminate. If at any time, the Managing Director ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be a Director and Managing Director of the Company.

**10. Variation**

The terms and conditions of the appointment of the Managing Director may be altered and varied from time to time by the Board as it may, in its discretion deem fit, irrespective of the limits stipulated under Schedule XIII to the Act or any amendments made hereafter in this regard in such manner as may be agreed to between the Board and the Managing Director, subject to such approvals as may be required.

**11. Intellectual Property**

11.1 The Parties acknowledge that the Managing Director may make, discover or create Intellectual Property (IP) in the course of his employment and agree that in this respect the Managing Director has a special obligation to protect such IP and use them to further the interests of the Company.

11.2 Subject to the provisions of the laws relating to intellectual property for the time being in force in India, if at any time during his employment, the Managing Director makes or discovers or participates in the making or discovery of any IP relating to or capable of being used in the business for the time being carried on by the Company or any of its subsidiaries or associated companies, full details of the Intellectual Property shall immediately be communicated by him to the Company and such IP shall be the absolute property of the Company. At the request and expense of the Company, the Managing Director shall give and supply all such information, data, drawings and assistance as may be required to enable the Company to exploit the IP to its best advantage and the Managing Director shall execute all documents and do all things which may be necessary or desirable for obtaining patent or other protection for the Intellectual Property in such parts of the world as may be specified by the Company and for vesting the same in the Company or as it may direct.

11.3 The Managing Director hereby irrevocably appoints the Company as his attorney in his name and on his behalf to sign or execute any such instrument or do any such thing and generally to use his name for the purpose of giving to the Company or its nominee the full advantage of the provisions of this clause and if in favour of any third Party, a certificate in writing signed by any director or the secretary of the Company that any instrument or act falls within the authority conferred by this clause shall be conclusive evidence that such is the case.

11.4 If the IP is not the property of the Company, the Company shall, subject to the provisions of the applicable laws for the time being in force, have the right to acquire for itself or its nominee, the Managing Director's rights in the IP within 3 months after disclosure pursuant to Clause 11.2 above on fair and reasonable terms.

11.5 The rights and obligations under this clause shall continue in force after termination of the Agreement in respect of IP relating to the period of the Managing Director's employment under the Agreement and shall be binding upon his heirs and legal representatives.

**12. Confidentiality**

12.1 The Managing Director is aware that in the course of his employment he will have access to and be entrusted with information in respect of the business and finances of the Company including intellectual



property, processes and product specifications, etc. and relating to its dealings, transactions and affairs and likewise in relation to its subsidiaries, associated companies, customers or clients all of which information is or may be of a confidential nature.

12.2 The Managing Director shall not except in the proper course of performance of his duties during or at any time after the period of his employment or as may be required by law divulge to any person whatever or otherwise make use of and shall use his best endeavours to prevent the publication or disclosure of any Confidential Information of the Company or any of its subsidiaries or associated companies or any of its or their suppliers, agents, distributors or customers.

12.3 All notes, memoranda, documents and Confidential Information concerning the business of the Company and its subsidiaries or associated companies or any of its or their suppliers, agents, distributors or customers which shall be acquired, received or made by the Managing Director during the course of his employment shall be the property of the Company and shall be surrendered by the Managing Director to the Company upon the termination of his employment or at the request of the Board at any time during the course of his employment.

### 13. **Non-competition**

The Managing Director covenants with the Company that he will not, during the continuance of his employment with the Company, without the prior written consent of the Board, carry on or be engaged, directly or indirectly, either on his own behalf or on behalf of any person, or as manager, agent, consultant or employee of any person, firm or company, in any activity or business, in India or overseas, which shall directly or indirectly be in competition with the business of the Company or its subsidiaries or associated companies.

### 14. **Selling Agency**

The Managing Director, so long as he functions as such, undertakes not to become interested or otherwise concerned, directly or through his spouse and / or children, in any selling agency of the Company.

### 15. **Tata Code of Conduct**

The provisions of the Tata Code of Conduct shall be deemed to have been incorporated into the Agreement by reference. The Managing Director shall during his term, abide by the provisions of the Tata Code of Conduct in spirit and in letter and commit to assure its implementation.

### 16. **Personnel Policies**

All Personnel Policies of the Company and the related Rules which are applicable to other employees of the Company shall also be applicable to the Managing Director, unless specifically provided otherwise.

### 17. **Notices**

Notices may be given by either Party by letter addressed to the other Party at, in the case of the Company, its registered office for the time being and in the case of the Managing Director his last known address and any notice given by letter shall be deemed to have been given at the time at which the letter would be delivered in the ordinary course of post or if delivered by hand upon delivery and in proving service by post it shall be sufficient to prove that the notice was properly addressed and posted.

### 18. **Miscellaneous**

#### 18.1 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of India.

#### 18.2 Jurisdiction

The Parties have agreed to the exclusive jurisdiction of the Indian courts.

#### 18.3 Entire Agreement

This Agreement contains the entire understanding between the Parties and supersedes all previous written or oral agreements, arrangements, representations, and understandings (if any) relating to the subject matter hereof. Parties confirm that they have not entered into this Agreement upon the basis of any representations that are not expressly incorporated into this Agreement. Neither oral explanation nor oral information given by any Party shall alter or affect the interpretation of this Agreement.

**Tata Chemicals Limited****18.4 Waiver**

A waiver by either Party of a breach of provision(s) of this Agreement shall not constitute a general waiver, or prejudice the other Party's right otherwise to demand strict compliance with that provision or any other provisions in this Agreement.

**18.5 Severability**

Each term, condition, covenant or provision of this Agreement shall be viewed as separate and distinct, and in the event that any such term, covenant or provision shall be held by a court of competent jurisdiction to be invalid, the remaining provisions shall continue.

**18.6 Counterparts**

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute the same agreement.

In compliance with the requirements of Section 302 of the Companies Act, 1956 (the Act), an abstract of the terms and conditions of appointment (the arrangement) was sent to the members.

**Memorandum of Interest**

None of the Directors of the Company except Mr. Homi R. Khusrokhani is in any way concerned or interested in the above appointment.

**Item No. 12:**

Under the provisions of the Act, certain documents such as the Register and Index of members, Register and Index of Debenture holders and copies of all annual returns prepared under Section 159 of the Act have to be kept at the Registered Office of the Company. However, these documents can be kept at any other place within the city, town or village in which the Registered Office is situated, with the prior approval of the Shareholders.

These records were kept at the office of the Company's Registrars and Share Transfer Agents, TSR Darashaw Limited (TSR, formerly Tata Share Registry Limited) at Army & Navy Building, 148, M.G Road, Fort, Mumbai – 400 001 and at its other offices pursuant to the Resolution No. 7 passed at the 52nd Annual General Meeting of the Company held on September 03, 1991.

TSR Darashaw Ltd. has informed the Company that it has shifted its office from Army & Navy Building, 148, M.G Road, Fort, Mumbai – 400 001 to 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400 011. It is proposed to keep the aforementioned documents of the Company at TSR Darashaw Ltd's office at Mahalaxmi and / or at Pooja Apartment, Ground Floor, Near Vitrum Glass, Opp. HCC Ltd., L.B.S Road, Vikhroli (West), Mumbai – 400 079.

The time for inspection of the aforesaid documents by the Shareholders or such persons as are entitled to inspection will be between 11.00 a.m. to 1.00 p.m. on any working day except when the Registers and Books are closed under the provisions of the Act or the Articles of Association of the Company.

Accordingly, the member's approval is sought by way of this Special Resolution. The Board commends approval of the Resolution by the Shareholders. A copy of the Special Resolution at Item No. 12 shall be given in advance to the Registrar of Companies, Maharashtra.

None of the Directors is in any way concerned or interested in this Resolution.

On behalf of the Board of Directors

R. N. TATA  
Chairman

Mumbai  
May 30, 2007

**Registered Office:**

Bombay House  
24, Homi Mody Street, Fort,  
Mumbai 400 001.

**Details of Directors seeking appointment/reappointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)**

<b>Name of the Director</b>	<b>Mr. R. Gopalakrishnan</b>	<b>Dr. T. Mukherjee</b>	<b>Dr. Vijay L. Kelkar</b>
Date of Birth	25.12.1945	13.10.1942	15.05.1942
Date of Appointment	30.10.1998	04.03.2002	19.10.2004
Expertise in specific functional areas	Wide experinece in Marketing and General Management	Technologist and experienced in the field of metallurgy	Economic Advisor - Ministry of Commerce, Executive Director- International Monetary Fund, Chairman-Tariff Commision, Petroleum Secretary, Finance Secretary
Qualifications	B.Sc (Hons.), B.Tech (Hons.) in Electronics from IIT Kharagpur	B.E (Metallurgy) M.Met (Sheffield) Ph.D (Sheffield)	Ph.D. in Economics
Directorship in other Public Limited Companies	Rallis India Ltd. Tata Sons Ltd. The Tata Power Company Ltd. Tata Motors Ltd. Tata Teleservices Ltd. Tata AutoComp Systems Ltd. Tata Technologies Ltd. ICI India Ltd. Castrol India Ltd.	Tata Metaliks Ltd. Hooghly Met Coke & Power Co. Ltd. Jamshedpur Injection Power Ltd. Mjunction Services Ltd.. TM International Logistics Ltd. Tata Steel Ltd.	IDFC Pvt. Equity Co. Ltd. Development Credit Bank Ltd. Hero Honda Motors Ltd. Jet Airways (India) Ltd. JSW Steel Limited Britannia Industries Ltd. Lupin Limited KPIT Cummins Infosystems Ltd. HDFC Ltd. Krishna Godavari Gas Network Ltd.
<b>Membership of Committees in other Public Limited Companies :</b>			
<b>Name of the Director</b>	<b>Mr. R. Gopalakrishnan</b>	<b>Dr. T. Mukherjee</b>	<b>Dr. Vijay L. Kelkar</b>
Audit	ICI India Ltd. Castrol India Ltd.	TM International Logistics Ltd.	Jet Airways (India) Ltd. Britannia Industries Ltd. KPIT Cummins Infosystems Ltd.
Shareholders'/ Investors' Grievance	Tata Motors Ltd.	-	-

**Tata Chemicals Limited**
**Details of Directors seeking appointment/reappointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement) (Contd.)**

<b>Name of the Director</b>	<b>Mr. Nasser Munjee</b>	<b>Dr. Yoginder K. Alagh</b>
Date of Birth	18.11.1952	14.09.1939
Date of Appointment	25.09.2006	25.09.2006
Expertise in specific functional areas	Eminent Economist, Banker and Consultant on infrastructure	Eminent Economist with wide experience in policy making & planning
Qualifications	B.Sc. (Hons.) and MSc. (Econ) - London School of Economics	Ph.D. in Economics
Directorship in other Public Limited Companies	Development Credit Bank Ltd. HDFC Ltd. Cummins India Ltd. Gujarat Ambuja Cements Ltd. Asea Brown Boveri Ltd. Mahindra & Mahindra Financial Services Ltd. Unichem Laboratories Ltd. Voltas Limited Indian Railway Finance Corporation Limited Ciba Speciality Chemicals (India) Ltd. Apollo Health Street Limited Repro India Ltd. Bharti AXA Life Insurance Co. Ltd. ITD Cementation Ltd.	Shree Cement Ltd.
<b>Membership of Committees in other Public Limited Companies :</b>		
<b>Name of the Director</b>	<b>Mr. Nasser Munjee</b>	<b>Dr. Yoginder K. Alagh</b>
Audit	Asea Brown Boveri Ltd. Bharti AXA Life Insurance Co. Ltd. Ciba Speciality Chemicals (India) Ltd. Cummins India Ltd. Mahindra & Mahindra Financial Services Ltd. Unichem Laboratories Ltd. Voltas Ltd. Apollo Health Street Ltd.	
Shareholders'/ Investors' Grievance	Gujarat Ambuja Cements Ltd.	

**Details of Directors seeking appointment/reappointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement) (Contd.)**

<b>Name of the Director</b>	<b>Mr. Homi R. Khusrokhhan</b>	<b>Mr. Prasad R. Menon</b>
Date of Birth	15.12.1943	23.01.1946
Date of Appointment	16.10.2006	30.10.2006
Expertise in specific functional areas	Eminent professional with vast business experience	Wide experience in Chemicals, Agro-Chemicals, Paints and Fertilizer Industry
Qualifications	B.Com (Hons.), Chartered Accountant, M.Sc. (Econ.) from London School of Economics & Political Science	B.Tech (Chemical) - IIT (Kharagpur)
Directorship in other Public Limited Companies	Rallis India Ltd.	The Tata Power Company Ltd. North Delhi Power Limited Tata Services Ltd. Tata Projects Ltd. Tata Industries Ltd. Rallis India Ltd. Chemical Terminal Trombay Ltd. Af-Taab Investment Co. Ltd. Maithon Power Ltd. Tata Ceramics Ltd. Powerlinks Transmission Ltd.
<b>Membership of Committees in other Public Limited Companies :</b>		
<b>Name of the Director</b>	<b>Mr. Homi R. Khusrokhhan</b>	<b>Mr. Prasad R. Menon</b>
Audit	Rallis India Ltd.	Tata Services Ltd.
Shareholders'/ Investors' Grievance	-	

**Tata Chemicals Limited**
**DIRECTORS' REPORT**
**TO THE MEMBERS  
OF TATA CHEMICALS LIMITED**

The Directors hereby present their Sixty-eighth Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended March 31,2007:

	Rs. in crores	Previous Year Rs. in crores
<b>FINANCIAL RESULTS</b>		
<b>Total Income</b> .....	<b>4088.74</b>	3601.94
Profit before depreciation and exceptional items .....	<b>784.19</b>	649.80
Less : Depreciation .....	<b>150.35</b>	138.93
<b>Profit before tax</b> .....	<b>633.84</b>	510.87
Tax .....	<b>189.63</b>	157.84
<b>Profit after tax</b> .....	<b>444.21</b>	353.03
Add : Balance in Profit and Loss Account .....	<b>769.19</b>	623.85
Amount available for Appropriation .....	<b>1213.40</b>	976.88
Appropriations :		
(a) Proposed Dividend .....	<b>172.08</b>	150.57
(b) Tax on Dividend .....	<b>29.25</b>	21.12
(c) General Reserve .....	<b>45.00</b>	36.00
(d) Balance carried forward .....	<b>967.07</b>	769.19
	<b>1213.40</b>	976.88

**Dividend**

For the year under review, the Directors have recommended a dividend of Rs. 8.00 per share (Rs. 7.00 per share for the previous year), on the Ordinary (Equity) Shares of the Company, aggregating Rs. 172.08 crores.

**PERFORMANCE REVIEW:**

A performance review for the two business segments that the Company operates in, viz. Chemicals and Fertilisers, is given below:

**Chemicals Business**

The chemicals business of the company achieved highest-ever sales of Rs. 1504.08 crores, reflecting a growth of 13.42 %, as compared to previous year sales of Rs.1326.15 crores. Almost all the products in the chemicals portfolio contributed towards this growth:

**Soda Ash**

During the year, the company achieved both record sales and production of soda ash. Production for the year at 7,57,209 tonnes was 2.57 % higher than in the previous year. Sales for the year at 7,21,946 tonnes grew by 2.13 % over the last year. The company's market share at 32 % was marginally lower than in the previous year by 0.8 %.

### **Cement**

On the strength of a buoyant cement market, the company achieved a record production and sales of cement as compared to earlier years. Production of cement at 5,10,371 tonnes increased by 4.02% and sales at 5,08,552 tonnes accounted for an increase of 4.63% as compared to the previous year.

### **Sodium Tripoly Phosphate (STPP)**

A planned cold shutdown of 10 weeks for maintenance in the Sodium Tri Poly Phosphate plant resulted in slightly lower production as compared to the previous year. Production at 43,881 tonnes was lower as compared to previous year and sales at 45,612 tonnes was 183.16% higher than the previous year.

### **Sodium Bicarbonate**

Sodium Bicarbonate sales at 59,281 tonnes were 11.18% above the previous year

### **Salt**

The total production of all varieties of salt at 7,09,818 tonnes was 17.05% higher than in the previous year and sales at 7,34,619 tonnes, were higher by 26.48%. Tata Salt improved its leadership position in the branded salt segment and achieved an all time high brand equity index of 7.4 (on a scale of 1 - 10) as per a survey conducted by AC Nielsen.

### **Fertiliser Business**

The fertiliser business of the company comprises of Sales of Urea, DAP, NPK and SSP fertilisers manufactured at company's Babrala and Haldia plants. Additionally, the Company also imports and sells MOP and supplies other agri inputs like pesticides, herbicides, seeds etc. mostly through its Tata Kissan Sansar (TKS) outlets. During the year the Company achieved a record production of DAP/NPK crossing 7 lakhs tonnes at Haldia for the first time in the Company's history. Sales growth was in line with production growth. The Fertiliser Business of the Company achieved a turnover of Rs. 2,486.91 crores growing by 13.43 % over previous year.

While the Company's Fertiliser Business has achieved record sales as well as production during the year under review, increases in input costs for the industry, generally, without corresponding revisions to government-approved selling prices for fertilisers, which have not been corrected for several years now, have resulted in a sharp increase in subsidies. Regrettably, the practice of under-providing the true fertiliser subsidy requirement in the Union Budget has continued this year as well. By pegging the fertiliser subsidy at last year's level, the Government is now faced with a gap that has now widened to over Rs. 30,000 crores. Consequential delays in receipt of subsidy have caused severe working capital constraints for the industry as a whole and an increased burden of interest cost. Strong representations have been made to the Government on this subject and it is hoped that some changes to policy will take place.

The Government of India has however notified the new Stage III policy for Urea pricing. This policy allows for favorable sharing of benefits in respect of production beyond 110 % of the nominal capacity. Accordingly the company has decided to de-bottleneck the Urea plant at Babrala at a cost of Rs. 150 crores. This expansion will be completed during the financial year 2008-09.

Specific comments on the performance of key products in Fertilisers portfolio are given below:

#### **Urea**

The Company achieved a production of 10,11,338 tonnes of Urea as compared to previous year's production of 9,60,113 tonnes. Sales of Urea at 10,16,886 tonnes were higher than in the previous year by 6.65%.

#### **DAP/NPK**

The company achieved a combined production of 7,59,222 tonnes of DAP and NPKs against last year's production of 686,643 tonnes. The sales of DAP and NPKs at 7,09,609 tonnes were higher than the previous year by 7.23%.

In addition company also traded in 2,01,341 tonnes of DAP.

**Tata Chemicals Limited****SSP**

The company produced 1,59,690 tonnes of SSP against previous year's production of 1,40,236 tonnes. Sales of SSP at 1,24,200 tonnes were lower by 1984 tonnes versus the previous year.

**Others**

93,071 tonnes of imported MOP were sold during the year as compared to 90,580 tonnes in the previous year.

**Excise**

In the annual report for 2005-06, there was a contingent liability of Rs. 710.48 crores of excise duty including penalty and interest with respect to a waste product generated during the course of production of an excisable product and used as input for the manufacture of non excisable product. As was expected, Customs, Excise and Service Tax Appellate Tribunal vide its order number A-421/KOL/2007 dated 23<sup>rd</sup> Mar 07 set aside the order claiming duty, penalty and interest. The contingent liability has therefore now been extinguished.

**Tata Kisan Sansar**

The Company's Tata Kisan Sansar (TKS) network, which caters to various agri input needs of farmers in the Northern and Eastern region of India, was expanded to cover 514 outlets as compared to 503 outlets during the previous year. New Pesticides, herbicides and seeds, carrying the TKS Brand were added to other offerings sold through TKS outlets. Also certain new offerings in terms of services that farmers require, such as soil management, were added and expanded during the year.

**New Initiatives**

During the year the Company entered into a joint venture with Fresh Produce Plc. Ireland, for creating a growing, procurement, sorting, packing and distribution chain for fresh vegetables and fruits. This venture involves setting up of collection and processing centers and setting up a cold chain for the reaching fresh produce to Distribution centers located near main consumption centers. Two such distribution centers are expected to be operational during 2007-08 in the North and East of India and there will be a rapid roll-out thereafter to other parts of the country. It could be mentioned here that the strong relationships built with farmers over several years through the TKS network will form an excellent platform for launching this new business.

The Company has also made a start in Bio Fuels - both bioethanol and biodiesel. A green-field bioethanol plant is being set up in Maharashtra and will be operative during 2008-09.

**Innovation Center**

During the year the company formally set up an Innovation Center (IC) at Pune, with a small interim laboratory. While the Innovation Center does address the technology needs of existing businesses, its main purpose is to explore new business areas, based on the development of early-stage technologies in the Nano and Biotech space. Biofuels is an area of emphasis in this centre. In a short span of time the Innovation Center since its inauguration, has filed 7 patents. As of today the IC has 15 scientists, of whom 11 are PhD's. During the current year the IC will move to a new location in Pune.

**Personnel & Industrial Relations**

As on 31<sup>st</sup> Mar 07, 3296 employees were on company's rolls. Owing to excellent industrial relations, productivity linked long-term wage settlements were signed with workmen at Mithapur and Haldia. During the year variable pay scheme linked to performance was introduced for supervisory cadre.

The Company also invests a significant amount of time and resources on training both its managerial and non-managerial personnel. On an average, managerial staff spent 12.1 man-days in training programmes and non-managerial personnel 4.4 man-days, during the year.

**Safety, Health and Environment**

Extensive focus was given on training employees and creating awareness of behavioral safety. There was a perceptible reduction in recordable injuries per million man-hours worked. The Babrala plant continued to maintain its 5 star ratings on British Safety Council standards and received its third sword of honor in a row - a first time record for any Indian Company. The Babrala plant also received the coveted National Safety Council's *Sarva Shrestha Suraksha Puraskar*. The Mithapur plant continues to work with the Dupont Safety Management Process.



Health monitoring of the company employees, commensurate with the work environment continued. No significant observations were noticed related to workplace health and hygiene conditions.

The Company has complied with environmental consent conditions at all its locations. The Fertiliser plant at Babrala has retained its British Safety Council's five star rating on environmental sustainability standards.

#### **Community Development, Rural Development and Social Welfare**

In keeping with the Company's long-standing commitment towards community development and social welfare the Company continued to undertake various rural development programmes in the form of agricultural development, natural resource management, water harvesting, biodiversity, pond management, handicrafts, income generation activities, rural enterprise development, health, education and infrastructure development.

The company has supported programs such as "Save the Whale Shark" and "Desh ko Arpan" and other initiatives that enrich the quality of life of the rural populace, in a sustainable manner. In all its programmes the emphasis is on reducing dependence and promoting self-sufficiency.

These efforts have been recognised at State and National level and the Company has won the award for the "Best Corporate Social Responsibility Practice" from the Bombay Stock exchange.

The "Tejaswini" a Domestic Management Programme launched for creating better quality of life for women continued for the second year and 320 women were trained. A similar programme 'Spandan' was also launched for men during the year.

#### **Information Technology**

During the year the company has undertaken a major project to revamp and upgrade the SAP system to the latest state-of-the-art MySAP ECC 6.0 to cover all operations and business areas. This upgrade will materially improve operational effectiveness and customer service.

#### **Supply Chain**

Rising commodity prices and rising ocean freights are posing challenges for managing the Company's variable costs. On the other hand, the growing domestic economy is also creating capacity constraints for distribution of the company's finished products through cost effective means of transportation. The Company is mitigating the impact of these challenges by entering into long term sourcing and shipping contracts for inputs and investing in infrastructure for improving inland distribution efficiencies.

#### **Awards and Recognitions**

The Company won a large number of awards and recognitions for excellence in different fields. Some of the awards and recognitions won during the year under review are mentioned below:

- International Asia Pacific Quality Award (Chemicals SBU) awarded by IAPQ Organisation, Philippines
- Environment Protection Award (Fertiliser SBU) awarded by Fertilisers Association of India.
- Greentech Environment Gold Award for Babrala and Mithapur plants by Greentech Foundation
- Sword Of Honour in OHS Management Systems at Babrala Plant awarded by British Safety Council
- Environment Sustainability 5 star rating for Babrala Urea plant awarded by British Safety council
- Best Social Responsibility Practice Award by Bombay Stock Exchange
- Business World FICCI-SEDF SCR Award by FICCI
- Sixteen National Awards on Internal and External Communication awarded by Association of Business Communication of India
- Trailblazer Award – 2006 by National HRD Network

**Tata Chemicals Limited****SUBSIDIARIES**

The Company has been granted exemption by the Ministry of Company Affairs, from attaching with its accounts, the individual accounts of all its subsidiary companies. However, the Consolidated Financial Statements of BMGL and IMACID, the joint venture company in Morocco, (prepared in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India), form part of the Annual Report and are reflected in the Consolidated Accounts of the Company. Further as directed by the Ministry of Company Affairs, the financial data of the subsidiaries have been furnished under "Summary of Financial Information of Subsidiary Companies" and forms part of this Annual Report.

**JOINT VENTURE IN FRESH PRODUCE**

On the 1st of February 2007, Tata Chemicals signed a shareholder agreement with Total Produce, plc., Ireland, for forming a 50 : 50 JV in India for sourcing and distribution of fresh fruits and vegetables. The initial investment in equity in the JV called Khet-se Agriproduce India Pvt. Limited will be Rs. 26 crores., to be contributed by both the partners.

**FINANCIAL PERFORMANCE OF SUBSIDIARIES**

The consolidated financial results reflect the operations of the Brunner Mond Group Limited (BMGL), Homefield UK Pvt. Ltd., the UK SPV, its holding company, Homefield International Pvt. Ltd. Mauritius. It also considers the financials of IMACID, to the extent of the Company's 1/3<sup>rd</sup> share in the Joint Venture.

**CORPORATE AFFAIRS****Finance**

Strong cashflows from operations ensured that the Company could meet its operational expenses and financial/debt commitments. The Company has, during the current year, repaid the entire ECB Debt borrowed from Banks and also ensured that there has been no increase in the debt levels through fresh borrowings.

During the current financial year there was no conversion of the Foreign Currency Convertible Bonds (FCCBs) issued in January 2005.

Net interest costs continue to show a reduction over the previous year despite the rise in interest rates, this was primarily due to higher interest income and a judicious mix of Rupees/Foreign currency borrowings to finance working capital.

**Directors**

Mr. R. C. Khanna stepped down from the Board of Directors of the Company with effect from September 30, 2006. The Board wishes to place on record its appreciation for the valuable guidance extended by him during his long association with the Company.

Mr. Prasad R. Menon, who was the Managing Director of the Company (till October 16, 2006) moved to The Tata Power Company Ltd. as its Managing Director. Subsequently, Mr. Prasad R. Menon has been appointed as an Additional Director on the Board, with effect from October 30, 2006.

Dr. D. V. Kapur, who is due to retire by rotation has conveyed his decision not to seek re-appointment. Attention of the members is drawn to the corresponding resolution and the Explanatory Statement thereto, in the Notice dated May 30, 2007, convening the Annual General Meeting.

Mr. Nasser Munjee, an eminent economist & finance professional, was appointed as an Additional Director on the Board with effect from September 25, 2006.

Dr. Yoginder K. Alagh, a doctorate in Economics and former Minister of Power & Planning, Science & Technology – Govt. of India, was appointed as an Additional Director on the Board with effect from September 25, 2006.

In accordance with the requirements of the Companies Act, 1956, Mr. R. Gopalakrishnan, Dr. T. Mukherjee and Dr. Vijay L. Kelkar, Directors of the Company are due for retirement by rotation and are eligible for re-appointment.

### **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement, the Management Discussion and Analysis, the Corporate Governance Report, together with the Auditors' Certificate on compliance of conditions of Corporate Governance, form part of this Annual Report.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information required under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto as Annexure 'A' and forms part of this Report.

### **PARTICULARS OF EMPLOYEES**

The information as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, is annexed hereto as Annexure 'B' and forms part of this Report.

### **AUDITORS**

M/S. S. B. Billimoria & Co., and M/S. N. M. Rajji & Co., Chartered Accountants, who are the statutory auditors of the Company, hold office until the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to consider their re-appointment for the current financial year 2007-08 and authorise the Board of Directors to fix their remuneration. The retiring auditors have, under Section 224 (1B) of the Companies Act, 1956, furnished certificates of their eligibility for the appointment.

### **DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii) they have in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year viz., March 31, 2007 and of the profit of the Company for the year ended on that date;
- iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the annual accounts on a going concern basis.

### **ACKNOWLEDGEMENTS**

The Directors wish to place on record their appreciation for their continued support and co-operation by Financial Institutions, Banks, Government authorities and other stakeholders. Your Directors also acknowledge the support extended by the Company's Unions and all the employees for their dedicated service.

On behalf of the Board of Directors

Mumbai  
May 30, 2007.

R. N. TATA  
Chairman

**ANNEXURE TO THE DIRECTORS' REPORT****Annexure 'A'**

(UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956)

**Disclosures****A. CONSERVATION OF ENERGY****(a) Energy Conservation measures taken**

- Chiller unit for soda ash plant
- Installation of expansion vessel in kiln feed in cement plant
- Ammonia still No, 5 enlargement
- VSD for Larox filter feed pump
- Purging of hot water in cooling towers
- Replacement of cold process pumps
- Installation of advanced process control system in urea plant.
- Replacement of ammonia condenser (E-510-B) and re-tubing of other condenser (E-510-C)
- Variable frequency motor installed in place of conventional.
- Efficient small pump in cooling tower installed in place of big pump.
- Cooling tower of SAP-1 renovated to improve efficiency.

**(b) Additional investments and proposals, if any, being implemented for reduction of energy consumption**

- Automation of existing lime kilns charging system
- Enlargement of ammonia still stack coolers in soda ash plant
- Relocation of demag for soda ash plant
- Condenser enlargement for MUW plant
- Enhancement in FBD for MUW plant
- Installation of cooling water booster pump in final gas cooler (E-312) in ammonia plant to increase cooling efficiency.
- Installation of ejectors to utilize flash steam from process condensate vessel (V-2) for stripping of urea process condensate.
- Utilization of boiler blow down heat to pre-heat ammonia process condensate.
- Central Prayon Process is under implementation in phosphoric acid plant for improving efficiency and reduction of energy consumption.

**(c) Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production**

- Increase in overall soda ash plant operating efficiency
- Increase in overall MUW plant operating efficiency
- Reduction in lime cost
- Reduction in specific heat consumption of clinker
- Decrease in power consumption in bromine plant
- Increase in operating efficiency in water softening plant
- Improving energy efficiency of urea plant by reducing steam and power consumption.
- Reduction of steam consumption in Ammonia plant.
- Reduction of steam consumption in captive power plant and hence improving energy efficiency.
- Reduction of energy consumption due to replacement of highly efficient motors and pumps.
- Enhanced cooling tower efficiency.

**(d) Total Energy consumption per unit of production as per Form A:**

**Form A**

The captive Steam Power plant at Mithapur is based on "Total Energy" concept, co-generating steam and power and therefore the cost of steam and power is shown as a composite number in the following calculation :

**POWER AND FUEL CONSUMPTION**

**1 ELECTRICITY**

**(a) Purchased**

	<b>Current year 2006-2007</b>	Previous year 2005-2006
Units (Kwh)	<b>3,13,99,132</b>	11,72,900
Total Amount (Rs. in crores)	<b>14.23</b>	1.28
Avg. Rate (Rs./Kwh)	<b>4.52</b>	10.90

**(b) Own Generation**

(i) Through Diesel Generation (Mwh)	-	-
Unit per litre of diesel	-	-
Cost per Unit (Rs.)	-	-
(ii) Through Power Plant Unit (Mwh)	<b>16,892</b>	48,599
Cost per Unit (Rs./Kwh)	<b>9.75</b>	6.33
(iii) Through Steam Turbine/Generator Unit (Mwh)	<b>4,12,116</b>	4,20,412
Steam produced (Tonnes)	<b>44,95,835</b>	43,07,195
Total Value of Electricity and Steam produced (Rs. in crores)	<b>207.21</b>	158.08
(iv) Through Gas Turbine		
Units produced (Mwh)	<b>1,55,872</b>	1,48,789
Steam produced (Tonnes)	<b>11,45,142</b>	10,40,545
Total Value of Electricity and Steam produced (Rs. in crores)	<b>114.78</b>	84.62

**2 Coal (specify quality and where used)**

(Mostly imported Coal received from various sources and " A" Grade Lignite are used in Boilers)

Quantity (Tonnes)	<b>6,16,037</b>	6,32,209
Total Cost (Rs. in crores)	<b>165.07</b>	146.55
Average Rate (Rs./Tonne)	<b>2,679.55</b>	2,318.06

**3 Natural Gas**

Purchased (SCM)	<b>19,13,00,503</b>	19,19,83,689
Total Cost (Rs. in crores)	<b>87.74</b>	87.33
Average Cost (Rs./SCM)	<b>4.59</b>	4.55

**4 RLNG**

Purchased (SCM)	<b>62,19,336</b>	-
Total Cost (Rs. in crores)	<b>5.54</b>	-
Average Cost (Rs./SCM)	<b>8.90</b>	-

**5 Naphtha**

Purchased (KL)	<b>37,117.48</b>	16,619.16
Total Cost (Rs. in crores)	<b>78.44</b>	30.14
Average Cost (Rs./KL)	<b>21,131.65</b>	18,135.35

**6 Furnace Oil**

Purchased(KL)	<b>6,753.84</b>	7,835.25
Total Cost (Rs. in crores)	<b>12.11</b>	12.18
Average Cost (Rs./KL)	<b>17,929.71</b>	15,548.04

**7 HSD**

Purchased(KL)	<b>87.90</b>	165.18
Total Cost (Rs. in crores)	<b>0.28</b>	0.46
Average Rate(Rs./KL)	<b>32,389.82</b>	27,717.33

**Tata Chemicals Limited**
**CONSUMPTION PER UNIT OF PRODUCTION**

	ELECTRICITY (Kwh/MT)		STEAM (MT/MT)	
	Current year 2006-2007	Previous year 2005-2006	Current year 2006-2007	Previous year 2005-2006
Soda Ash	152.30	157.76	3.56	3.41
Sodium Bicarbonate	53.09	59.58	0.72	0.76
Caustic Soda Evaporated	3,030.41	2,823.71	2.39	2.79
Vacuum Evaporated Salt	63.68	60.09	2.07	2.06
Cement	133.01	128.72	-	-
Urea	68.00	70.00	1.00	1.00
Ammonia	151.00	150.00	0.14	0.14
Sulphuric Acid	36.00	35.00	-	-
Phosphoric Acid	163.00	174.00	-	-
Sodium Tripolyphosphate	203.00	198.00	2.25	2.25
Diammonium Phosphate	37.00	39.00	0.07	0.07
NPK Complexes	31.00	33.00	0.05	0.05
Single Super Phosphate	30.00	32.00	-	-
Sulphonic Acid	66.00	46.00	-	-

	Furnace Oil Ltr/Tonne	
	2006-2007	2005-2006
Sodium Tripolyphosphate	103	102
Diammonium Phosphate	4	4
NPK Complexes	4	4

**B. TECHNOLOGY ABSORPTION**
**Form B**
**Research and Development (R&D)**
**1. Specific areas in which R&D is carried out by the Company**

- Developed lab-scale Precipitated Calcium Carbonate (PCC) from cold sludge
- Recovery of calcium chloride & sodium chloride from hot effluent
- Detoxication of hazardous waste from laboratory
- Utilization filtered cake from ESF in detergent manufacturing process
- Bromine dehydration

**2. Benefits derived as a result of above R&D**

- Monohydrate process improvement
- Better recovery of lime from girls in MOL plant
- Enriching Raw Brine to enhance the salt production
- Investigation and improvement for increased sodium sulphide consumption in soda ash process

### 3. Future plan of action

Continued R&D efforts to attain objectives of cost reduction, energy conservation, waste utilization, value addition, environmental improvement and efficient management of water.

### 4 Expenditure on R&D

	<b>2006-2007</b>	2005-2006
	<b>Rs. in crores</b>	Rs. in crores
(a) Capital	<b>3.32</b>	0.40
(b) Recurring	<b>6.02</b>	4.31
(c) Total	<b>9.34</b>	4.71
(d) Total R&D expenditure as a percentage of total turnover	0.23%	0.13%

### Technology Absorption, Adaptation, & Innovation

1 Efforts made towards technology absorption, Adaptation and innovation	Nil	Nil
2 Benefits derived as a result of the above efforts	NA	NA
3 Imported Technology		
(a) Technology imported	None	None
(b) Year of import	NA	NA
(c) Has technology been fully absorbed?	NA	NA
(d) If not fully absorbed, reasons and future course of action	NA	NA

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	<b>Current year 2006-07</b>	Previous year 2005-06
	<b>Rs. in crores</b>	Rs. in crores
<b>1 Foreign exchange earned</b>		
(a) Export of goods on FOB basis	<b>77.93</b>	80.61
(b) Interest Income from subsidiary	<b>35.49</b>	13.78
<b>2 Outgo of foreign exchange</b>		
Value of imports (CIF)		
(a) Raw materials and fuels	<b>1310.38</b>	1,163.57
(b) Stores, components and spares	<b>6.22</b>	11.37
(c) Capital goods	<b>3.01</b>	2.18
<b>3 Expenditure in foreign currencies</b>	<b>53.83</b>	35.56
<b>4 Remittance of dividends</b>	<b>5.29</b>	6.11

Sixty-eighth annual report 2006-2007

**Tata Chemicals Limited**

**Annexure 'B'**

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the year ended 31 March, 2007.

Name	Gross Remuneration Rs.	Net Remuneration Rs.	Designation & Nature of Duties	Qualification	Experience (Years)	Date of Commencement of Employment	Age	Particulars of last Employment
1	2	3	4	5	6	7	8	9
Alok Tyagi	36,29,455	17,78,040	Vice President - Projects	B.Tech(Chem), IIT Kharagpur, PGDBA- IIM A	31	03.02.2003	54	Finolex Cables Ltd - COO
Dr. Arup Basu	40,93,981	26,49,170	V.P.- Manufacturing	Ph.D.(technology)	14	01.06.2004	39	Accenture - Sr Manager
Ashok J. Gupta	81,69,518	42,65,697	Joint Managing Director - IMACID	B.Tech(Chem)	28	04.12.1990	50	National Fertilisers Ltd. - Asst. Manager
Ashvini Hiran	26,97,686	17,67,191	Head - Channel Sales	B.E., PGDBM	24	01.06.2004	47	HLL - General Sales Manager
Budaraju Sudhakar	44,71,938	28,41,162	Head - Corporate HR & Admn.	B.Sc., PGDBM	20	28.02.2002	43	Reliance Infocom Ltd. - GM (Corporate HR)
Chiranjit Sen	26,56,221	13,79,931	Sr.Mgr- HR & Admn.	B.Com, Dip in Social Welfare	31	01.06.2004	56	HLL - Unit HR Manager
D K Sundar	33,61,154	22,26,539	General Manager - Sales & Marketing	B.Sc., PGDBM, ICWA, FCS	21	17.07.2001	49	Owens Brockway (I) Ltd. - Sr Manager - Admin
Eruch Kapadia	26,82,991	16,13,178	G.M - Treasury & Budgeting	B.Com., ICWA, ACA	15	19.11.2001	40	E-Serve Intl. Ltd. - Manager
Girdharlal J. Adroja	27,24,230	16,66,236	General Manager - New Projects	B.E.(Mech)	33	15.09.1973	58	-
Goves Guy Roland	29,00,088	18,74,331	Head - New Projects	M.Com Applied Economics	31	01.04.2003	52	Rallis India Ltd. - General Manager Fertiliser and Seeds
Homi R. Khusrakhan	1,18,94,168	55,49,978	Managing Director	M.Sc (Economics), Chartered Accountant	38	01.04.2004	63	Tata Tea Limited- Managing Director
I. L. Momin	31,52,409	15,91,824	Vice President - Operational Excellence	B.E.(Elec)	35	28.07.1978	60	JPCL - Assistant Manager
K R Venkatadri *	21,74,337	14,37,883	Sr Manager-Strategy & Business Development	B.E. (Mech), PDGM (IIM L)	16	02.06.2004	41	HLL - Sr Purchase Manager
Kapil Mehan	59,65,574	38,67,715	Chief Operating Officer- Fertiliser Business	PGDM - IIM A	25	05.02.1996	48	Rallis India Limited- GM (Fertilisers)
Dr. Kishore Ghose *	30,29,607	16,80,230	Head - Medical Services	M.D.	21	29.01.2005	54	Grant Medical Foundation - Medical Director
Laxman S. Rathore *	20,66,786	12,83,598	Chief Operating Officer - Agri - Business	B.Com, PGDM	15	05.09.2006	48	Mother Dairy Ind. Ltd. - CEO
Dr. Murali Sastry	44,66,367	28,61,864	Chief Scientist	M.Sc., Ph.D	24	14.09.2005	47	National Chemical Laboratory - Scientist
Navdeep Uppal	27,49,659	13,63,037	Executive Assistant	B.Com, CFA, PGDBM, GDMM	27	01.06.2004	46	HLL- Business Manager ( Bulk Chemicals)
P. M. Khanderia	36,81,688	18,59,850	Vice President - New Projects (Chemicals)	B.E.(Mech), MS(USA)	36	07.07.1972	57	-
Padam C Jain	30,83,909	15,46,769	Vice President - Manufacturing	B.Sc Engg., M.Tech	34	02.03.2006	59	MCFL - Director
Prasad R. Menon *	1,22,10,330	70,42,962	Managing Director till 15.10.2006	B.Tech(Chem) IIT Kharagpur	37	04.10.2000	61	Nagarjuna Fertiliser and Chemicals Ltd. Technical Director and Agri Business Sector Chief - Nagarjuna Group
Prashant Ghose	62,20,800	35,18,615	Chief Financial Officer	B.Com (hons.), AICWA, CS	34	01.11.2002	56	The Tata Iron and Steel Company Limited - Chief (Strategic Finance)
R. Mukundan	65,02,040	31,32,585	Chief Operating officer - Chemicals	B.E.(Elec), MBA	17	24.10.2001	40	Tata AutoComp systems Limited- GM (Corporate Planning)
Ranjeev Lodha	34,56,330	21,76,899	Contoller	ACA, M.B.F (IIF)	19	02.05.1991	42	Suncity Engineers Pvt. Ltd. - Finance Executive
Rohit B Pal *	28,06,287	20,14,869	Sr Manager - Technology	M.Tech (Chem) - IIT Kharagpur	36	01.06.2004	60	HLL - Chief Technologist
S S Varma	33,97,646	22,29,267	General Manager - Corporate SCM	M.Sc., PGDBM	22	20.06.2005	46	MSP Ltd. - V P - Marketing & Logistics
Sanjiv Lal	52,20,893	27,11,871	Vice President - Manufacturing	B.Tech(Chem)	24	01.06.2004	46	HLL - Sr. Manufacturing Manager
S. C. Kalani	41,05,046	25,82,579	General Manager - Taxation & Legal	B.Com, ACA	28	12.11.1986	55	Ambalal Sarabhai Ent. Ltd. - Tax Executive
Satish Sohoni	35,12,943	16,36,497	Chief Operating Officer - FAB	B.Com, MBA	28	03.02.2003	52	Rallis india Ltd. - VP International Business
Shouvik Roy	24,25,535	13,74,674	Sr. Manager - Management Accounting	B.Com, ACA	21	01.06.2004	46	HLL-Logistics Manager
Sriram Srinivasan	26,76,381	17,81,213	Head - Biofuels	B.A., MBA - Finance	18	18.03.2002	39	ITel Ind. Ltd. - Dy.G M
T Vinod Kumar	39,64,074	25,86,130	Head - Corporate Audit & Risk Management	B.Com, ACA	21	01.06.2004	47	HLL - G M Commercial
Vikas Gadre *	4,83,746	3,05,848	Chief Information Officer	B.Tech(Chem), PGD- Finance Mgt, CS	17	01.02.2007	55	Rallis India Ltd. - CIO
Zarir N. Langrana	30,62,642	14,97,771	Head - Strategy & Business Development	B.A., MBA, ICWA	25	01.09.1983	48	Tata Sons Limited - TAS Officer

Note : (1) "Gross Remuneration" includes salary, allowances and commission received during the year, Company's contribution to Provident Fund, Superannuation fund and taxable value of perquisites wherever applicable. However provision for gratuity and leave encashment, payments made in respect of earlier years including those pursuant to settlements during the year have been excluded.  
 (2) "Net Remuneration" is arrived at by deduction from the gross remuneration, income-tax, Professional tax, Company's Contribution to Provident Fund, Superannuation fund and the monetary value of non-cash perquisites.  
 (3) All the employees have adequate experience to discharge the responsibilities assigned to them.  
 (4) Nature of Employment with the Managing Director is contractual.  
 (5) None of the above employee is a relative of any director of the Company.  
 (6) \* Employees who were in service only for part of the year.

On behalf of the Board of Directors

Mumbai, May 30, 2007

R. N. TATA  
Chairman

**Statement pursuant to Section 212 of the Companies Act, 1956**

Name of Subsidiary Company	Financial Year end of the subsidiary Company	Extent of holding by Tata Chemicals Limited in the subsidiary as on March 31, 2007	Profit/(loss) so far as it concerns the members of the Tata Chemicals Limited and not dealt with in the accounts of Tata Chemicals Limited for the year ended March 31, 2007	Profit/(loss) so far as it concerns the members of the Tata Chemicals Limited and dealt with in the accounts of Tata Chemicals Limited for the year ended March 31, 2007
			(Rs. in Crores)	(Rs. in Crores)
Homefield International Pvt. Ltd.	March 31, 2007	100%	7.94	Nil
Homefield U.K. Pvt. Ltd.*	March 31, 2007	100%	(30.76)	Nil
Brunner Mond Group Ltd*	March 31, 2007	100%	62.55	Nil

\* Indirect Subsidiaries

For and on behalf of the Board

R. N. TATA  
R. GOPALAKRISHNAN  
H. R. KHUSRKHXAN

P. K. GHOSE  
S. D. JAIN

Chairman  
Vice-Chairman  
Managing Director

Chief Financial Officer  
Company Secretary

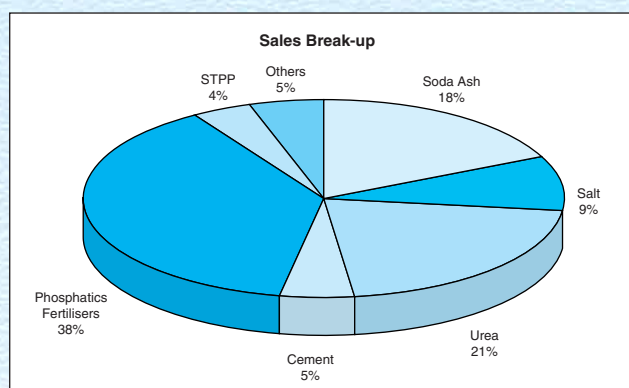
Mumbai, 30th May, 2007



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview - Favourable Macroeconomic Trends

The Indian economy is now on a rapid growth trajectory. With advance estimates from the Central Statistical Organisation (CSO) suggesting a 9.2% GDP growth in 2006-07, India will have had four consecutive years of high growth — culminating in a compound annual growth rate of ~8.5%. While there are varying estimates of growth for 2007-08, ranging anywhere between 8.5% and 9.4%, it is generally agreed that India has finally entered a longer-term phase of sustained, rapid economic growth.



Moreover, the strong growth witnessed in the economies of the two Asian giants, China and India, are now beginning to have a significant impact on and perhaps are even driving a healthy global GDP growth. The large consuming populations of these two countries are slowly but surely becoming more affluent and consumption-led growth will invariably be more robust and sustained. This is particularly true for our Chemicals business, where India's low per-capita consumption levels, relative to other markets around the world, indicate a huge potential for fuelling growth in the years ahead for products like soda ash, sodium bicarbonate and STPP that are all linked to the growth of domestic GDP, which drives the demand for glass for both automotive & construction sectors and beverages & detergents in the FMCG & home care sectors.

In addition the continuing trend of urbanisation and with it added demand for packaged and branded food products has further driven the demand for the Tata Salt brand. The Company is placing an emphasis on further strengthening its portfolio of branded and packaged products to leverage this trend. Urbanisation is also driving the growth of the main products of the Chemicals business like soda ash and cement.

Even more encouraging for a Company like Tata Chemicals Limited, (TCL) which has a substantial presence in the agricultural sector, is the fact that after a hiatus of over a decade, attention is being given once again to the need for revitalising agriculture and for ensuring sustained and accelerated growth in this vitally important sector of our economy. The repeated references made by the Prime Minister in his speech to the Planning Commission in May this year (in both, his opening and closing remarks), is encouraging and ratifies the Company's faith and perseverance for continuing in this business segment, which even today represents a very substantial portion of the Company's business. The discovery of substantial quantities of natural gas in the KG basin also throws up interesting growth possibilities within the country.

A later section of this Management Discussion and Analysis will address the transformation taking place in the Company's business model for the three sub-segments that operate in the "Agri-space" over the next year.

Another global trend that is highly encouraging for the Company is the attention now being paid to global warming and the preservation of the environment. The management has, perhaps intuitively, over the last few years focused on embedding sustainability into its business model. This has led, not only to its engaging in Biofuels as a high-potential, new business area for the future, but also to invest in R&D and create an Innovation Centre that explores entry into businesses that are "cleaner and greener" with a strong focus on Bio and Nano technology and even more significantly, products and processes that lie at the interface of these two high-potential and converging scientific domains. The Company now has a Climate Change Cell and all new projects are put through a CDM review prior to implementation.

Finally, one finds, globally, that "Commodity businesses" which were once considered uninteresting to investors, have today acquired a newfound respectability. Commodity cycles are being redefined on the basis of new growth paradigms and earnings multiples from these businesses are reaching unprecedented highs.

Looking to these five macroeconomic global trends of rapid economic growth, increased urbanisation, renewed emphasis on importance of agriculture, focus on alternate energy sources, increased emphasis on environment and sustainability there is enthusiasm and excitement in the management team and clearly, bright days ahead for the Company.

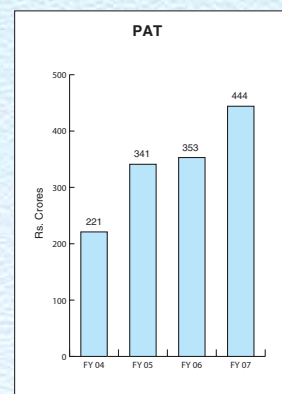
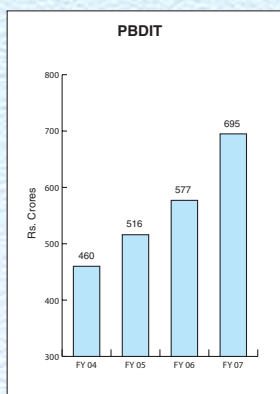
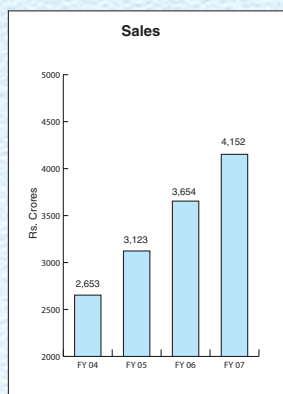
**Tata Chemicals Limited**

**PERFORMANCE HIGHLIGHTS**

During the last 4 years, the Company has also been on a high growth trajectory and has achieved a CAGR of 32% in Sales and PBT since 2003-04. With consolidated revenues now approaching US\$ 1.4 billion, TCL is now one of India's leading chemical companies and today, the 3<sup>rd</sup> largest manufacturer of soda ash in the world. The Company has not only grown well but has also delivered superior shareholder value over the last year.

Performance in 2006-07 on a standalone basis has been excellent, breaking all past records of Sales and Profits:

- 1 Net Sales (i.e. sales net of excise duty) increased by 13.4% from Rs. 3,519 crores in 2005-06 to Rs. 3,991 crores in 2006-07
- 2 Profit from Operations increased by 15.9% from Rs. 593 crores in 2005-06 to Rs. 687 crores in 2006-07
- 3 Profit after Tax (PAT) increased by 25.8% from Rs. 353 crores in 2005-06 to Rs. 444 crores in 2006-07
- 4 Return on Capital Employed (ROCE) for 2006-07 was 16.7%, while Return on Net Worth (RONW) was 19.5%
- 5 Earnings per share (Basic) increased by 25.8% from Rs.16.41 in 2005-06 to Rs. 20.65 in 2006-07



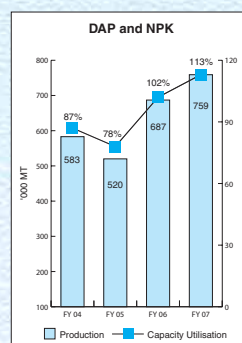
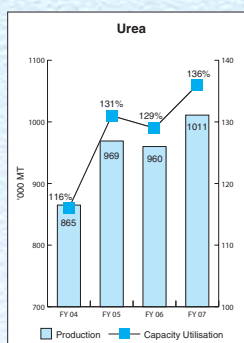
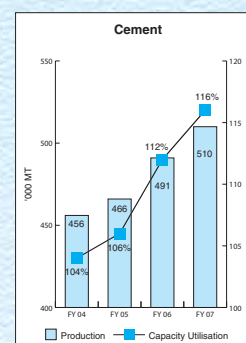
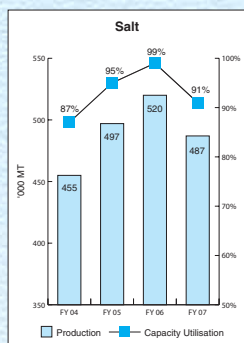
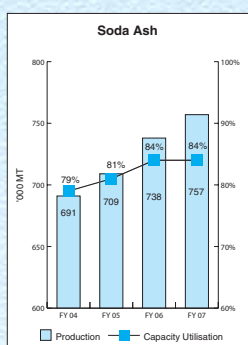
This was despite several significant challenges faced by the Company in 2006-07:

There were excessive rains in Gujarat in the second quarter of 2006-07, resulting in flooding and consequential production stoppages at TCL's chemicals complex at Mithapur. The floods also affected the supply of natural gas along the Hazira-Bijapur-Jagdishpur (HBJ) gas pipeline — which is used as feedstock and energy for urea production at the Company's facilities in Babrala, Uttar Pradesh. Mithapur was also plagued by interruptions in supplies of limestone (for soda ash) in the second half of the year. The Company managed to counter the adverse effects by importing limestone from Oman and driving operational efficiency to new highs. Mithapur was able to achieve the highest ever production numbers for soda ash and cement despite these two adverse happenings, and further Babrala not only wiped off the deficit, but achieved a production of over 1 million tonnes of Urea, creating a near record for the highest production in the history of the plant.

Additionally, the Government's reluctance to revise the domestic prices of fertilisers for several years now, despite the rising costs of inputs, has led to a ballooning of fertiliser subsidies payable to domestic producers. The situation has been exacerbated by a global spurt in the prices of fertilisers to unprecedented levels, which ironically, has forced Government to import fertilisers at astronomic prices that exceed the domestic cost of production of efficient units like ours. To make matters worse, while the Ministry of Chemicals and Fertilizers envisages a requirement of approximately Rs.48,000 crores for fertiliser subsidies payable during 2007-08, the Finance Minister has retained the provision for subsidies in the Union Budget at the 2006-07 level of Rs. 22,451 crores. As at the end of March 2007, approximately Rs. 11,642 crores remains outstanding in respect of the fertiliser subsidies of last year and delays in the settling of subsidy claims have worsened. This has resulted in enhanced working capital requirements and a sharp increase in the interest burden for the entire fertiliser industry — and Tata Chemicals was no exception. As at 31 March 07, the Company's receivables from the Central Government on account of subsidy were Rs. 565 crores and the Company has been able to counter this challenge only through greater focus and efficiency on the non-subsidy elements of working capital.

## Capacity Utilisation

Capacity Utilisation has been close to 100% at all the Company's plants and energy utilisation has shown a positive trend with Babrala occupying pride of place.



## Business Segments

TCL's current business breaks down into 2 basic segments:

- I. **Chemicals**, which comprises mainly of soda ash, sodium bicarbonate and STPP. These together account for 48% of the Company's consolidated global revenues. Additionally, this segment also includes **Food Additives**, a relatively new but fast growing line of business, comprised almost entirely of branded, edible salt, which contributes a further 6% of the Company's total consolidated revenues, making a total of 54%
- II. **Businesses in Agri-space** like nitrogenous and phosphatic fertilisers, which together account for 46% of TCL global business.

### I. CORE BUSINESSES

#### 1. Chemicals Business

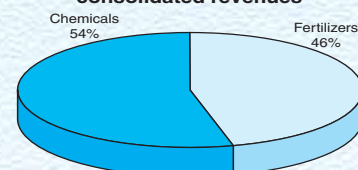
TCL's largest business segment is chemicals, (including, food additives) whose main products are soda ash, sodium bicarbonate and branded salt. In India, the Company also manufactures and sells STPP, an ingredient in detergents. The Company also manufactures cement, a product of the industrial wastes produced in the soda ash process.

On a stand-alone basis, TCL's revenues from the chemicals segment increased by 13.4% from Rs.1,326 crores in 2005-06 to Rs.1,504 crores in 2006-07.

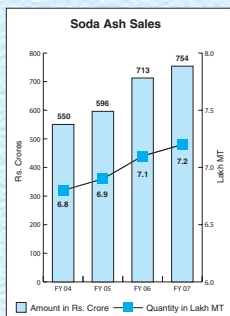
#### (a) Soda ash, sodium bicarbonate and STPP

Soda ash is an important product of the Indian inorganic chemical industry, accounting for ~55% of the chlor-alkali industry. In India it is used in the production of detergents (42%), glass (23%), chemicals (17%), sodium silicate, pulp & paper and in other industrial applications like water treatment. India accounts for around 6% of global soda ash capacity.

Segmental contribution to TCL's consolidated revenues



**Tata Chemicals Limited**



Given the low per capita consumption of soda ash in India (2.7 kg) when compared to countries like China (9.8 kg) and USA (22 kg) and the sustained higher economic growth in India, there is clearly considerable scope for consumption-driven growth in this business. Soda ash demand in India in 2006-07 was estimated at around 2.2 million tonnes but is growing well — driven primarily by the growing demand from float glass manufacturers, who cater to the construction and automobile sectors. With sustained economic growth there has also been a revival of demand in the domestic FMCG industry as well particularly for fabric wash. Consequently, the other large user segment, detergents, also provided a strong demand-pull during the year. Overall, however, the share of glass is gaining over other uses. With healthy growth in glass and fabric wash, the Company expects the domestic demand for soda ash to continue growing at around 5%.

Customs duties on soda ash imports have been gradually reduced – from 15% in 2005-06 to 12.5 per cent in 2006-07 and 7.5% now in 2007-08. While imports have become cheaper, the Company continues to remain cost competitive despite the higher domestic costs of power and logistics. Strategically, after the acquisition of the UK based Brunner Mond Group in 2006, the Company is now far better positioned to face global competition because of the access to a cheaper source of natural soda ash from Magadi, Kenya that this acquisition has given it. A large part of Magadi production even today finds its way to India with one bulk of its output being sold in rapidly urbanising Asian market.

Within India, TCL maintained its leadership position with a market share of 32% in 2006-07. Domestic sales of soda ash increased by 6.7% from Rs.636 crores in 2005-06 to Rs.679 crores in 2006-07. TCL's exports, which are mainly to the Middle East, South Asia and South East Asia, amounted to Rs.75 crores.

Given prevailing demand conditions and the continuous need for cost competitiveness, TCL has embarked on a planned program to de-bottleneck operations at Mithapur with minimal investments. The increased capacity will not only help TCL to better service domestic market demand, but also improve efficiencies through economies of scale. This is in addition to on going projects like 'Manthan' and 'Udaan' which have contributed significantly to cost reduction and value improvement.

In 2006-07 soda ash production at Mithapur was 7,57,209 tonnes, which was 2.6% higher than the previous year. By internal efficiency improvements through a programme called Udaan, the Company recorded its highest single day production of soda ash in 2006-07. After de-bottlenecking, the soda ash capacity at Mithapur will increase to 1.2 million tonnes p.a. Mithapur's power generation capacity is also being enhanced to meet the requirements of increased production.

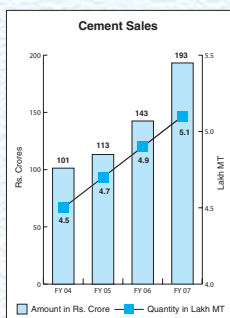
The Company remains firmly committed to preserving the environment and has continued to reduce its solid effluents. Six imported vertical press filters of a highly specialised design have been installed to separate the effluent solids from the soda ash process and utilise the wastes as feedstock for the cement plant. TCL is further patenting this unique ESF filtration process. TCL is also installing a 246 m3/hr Reverse Osmosis (RO) plant to reduce ground water extraction in the water scarce region of Okhamandal. This plant is being set-up on a Build-Own-Operate structure through experts in the field.

TCL has refocused its bicarbonate strategy and is looking to develop the business on a global basis by focusing on newer applications, particularly in Europe. Tata Chemicals will also be increasing its bicarbonate production capacity at Mithapur and the focus will be on upgrading product quality to cater to different segments of the market. Bicarbonate sales increased by 15.5 % from Rs.58 crores in 2005-06 to Rs.67 crores in 2006-07.

STPP came into the product portfolio of the Company as a consequence of the merger of Hind Lever Chemicals Ltd. Driven by the growth in demand for detergents, STPP prices remained stable during 2006-07. The STPP business was 10.9 % of domestic inorganic chemicals sales.

**(b) Cement**

TCL's cement plant was set up in 1993 as a means of handling the effluents generated in the production of soda ash and is therefore small, ancillary to the main activities at Mithapur, very localised and now beginning to be quite profitable. Originally, the Company used waste limestone (not usable in the manufacture of soda ash) for its cement production but the capacity was further enhanced in 1998 to incorporate other wastes streams from the process. The Company's cement is sold in the neighbouring areas of Saurashtra and Kutch where its brand "Shudh" is well accepted. The cement plant operated at a capacity utilisation of 116% during 2006-07.



The Company's cement sales increased by 38.1% from Rs.147 crores in 2005-06 to Rs.203 crores in 2006-07. Cement accounted for 12.4% of domestic inorganic chemicals sales.

### (c) Food Additives

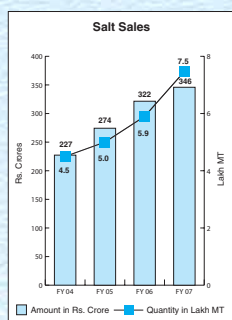
TCL's food additive business comprises almost entirely of branded edible salt. The salt business has continued to do extremely well. Sales increased by 6% from Rs.312 crores in 2005-06 to Rs.330 crores in 2006-07.

The Company's emphasis on hygiene in salt manufacture and packaging has continued. The Mithapur facility has both ISO 9001:2000, as also HACCP (Hazard Analysis and Critical Control Parameters) certification. The Company is gradually extending HACCP certification to all its packing centres.

Packaged branded salt accounts for approximately a quarter of the total salt sold in India, the balance three-quarters being unrefined salt that is sold loose and largely dominated by the unorganised sector. Tata Salt is today found in over 40 million households in India and is the leader in the packaged salt category, with a market share of 46.9% in 2006-07. The brand has been repeatedly declared "India's Most Trusted" food brand and now has a salience score of 7.4 – a score that few FMCG brands can boast of.

During 2006-07, a new advertisement campaign "Chutki ki Chamak" and new pack design were used to promote Tata Salt. Effective brand management, product positioning, pricing, promotion and product quality have been at the heart of this brand's success. All the above strategies have been very successful and the Company's market share has improved from 44.5% to 46.9%. The Company has also launched a new refined salt brand "I-Shakti", at a lower price point in southern and eastern India, where traditionally Tata Salt had a smaller presence.

TCL's production of various varieties of salt increased by 26.5% to 7,34,619 tonnes during 2006-07. Salt sales accounted for 21.2% of domestic inorganic chemicals segment.



## II. BUSINESSES IN THE AGRI-SPACE

### 1. Fertiliser Business

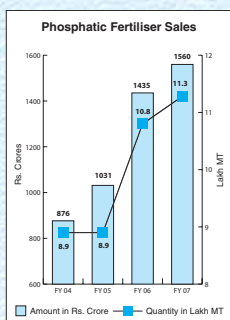
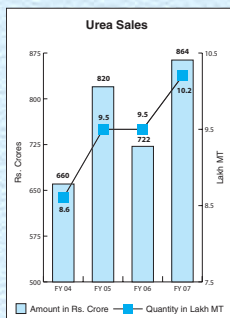
The Company has its presence across all three key agro-nutrients: namely nitrogen (N), phosphorous (P) and potassium (K) and given the nature of Government regulations, the sale of fertilisers is localised to certain geographical regions within India. The fertiliser business is focused in the areas of North and East India. TCL's product portfolio comprises of nitrogenous fertilisers (urea), phosphatic fertilisers (DAP and complexes), representing 34.7% & 58.5% of fertiliser revenues, while potassic fertiliser (MOP) which is imported, accounts for 4.2%. This is a regulated sector of business within India and TCL's growth therefore has to be within the contours of such regulations.

Globally, a major imbalance has been developing over the last year or two between the supply and demand for fertilisers. The shortfall in supply has been accentuated in the second half of 2006-07 because of the huge areas of land that have come under cultivation of crops for the production of Biofuels. In the US, it is corn for the production of bio ethanol, in Brazil, cane sugar also for the production of bio ethanol and in the Far East, palm oil is being increasingly used for the production of bio diesel. Food grain production has also been increasing and certainly in India the domestic demand for fertilisers has been very good. In 2005-06, agriculture grew by 6% in real terms. The positive sentiment from growth of this order has reflected in greater area under cultivation and a higher demand for fertilisers. Agricultural output has grown by 2.7% in real terms during 2006-07 and almost 10% in nominal terms. The rise in agricultural prices has created better incomes for the farmers and with higher farm-gate prices there is typically a greater expenditure on fertilisers.

While the industry in India is more or less insulated from the impact of rising prices of fertilisers, shortfalls in requirements have ultimately to be bridged by imports and the country has suffered through myopic Government policies of not encouraging investment in this industry over the last 8-10 years. Ironically imports have had to be effected at prices, which are higher than the prices at which efficient manufacturers could have manufactured these quantities in India had they been allowed the margins required for investing in capacities. In this otherwise dismal scenario the announcement of the Stage III urea policy holds some promise in that companies like ours will now be encouraged to de-bottleneck plants and retain the predominant part of the benefits of the enhanced capacities. However, this applies only to Nitrogenous fertilisers and with the commencement of a Tariff Commission enquiry into Phosphatic fertilisers similar relief on DAP may be some time away.

A solution will need to be found for the growing fertiliser subsidy bill and it is difficult to understand how long the Government can continue to hold the prices of fertilisers down in the context of rising international prices. As the damage that late payment of subsidy is causing to industry in terms of a squeeze on

**Tata Chemicals Limited**



working capital and rising interest burdens has already been covered in an earlier section of the Management Discussion and Analysis this aspect is not being dwelt on again here, but, a time has come when a one-price-for-all farmers in respect of fertilisers has to be seriously questioned.

With healthy demand, TCL's total fertiliser sales including the quantities sold through Tata Kisan Sansars grew by 12.3% from Rs.2,157 crores in 2005-06 to Rs.2423 crores in 2006-07.

Within fertilisers, urea registered a growth of 6.6% in 2006-07. TCL sold 1.02 million tonnes of urea as per the Government allocation accounting for 4.15% of the country's total market for urea. In the focused market of the core command area (300 km radius around the Babrala plant), TCL's market share was 15.75%.

TCL's urea manufacturing facility is located at Babrala, Uttar Pradesh. The plant also produces ammonia. Despite the small interruption in supply of natural gas in the first half of 2006-07, Babrala's urea production was 10,11,338 tonnes Babrala remained the most energy efficient urea plant in India, with an average specific energy consumption ratio of 5.2 Gcal/MT. Babrala has the unique distinction of being the recipient of 3 Swords of Honour from the British Safety Council. During 2006-07 it also secured the prestigious NSCI Safety Award for 2006.

As mentioned earlier thanks to the NPS III Policy, TCL has embarked on a project to de-bottleneck the Babrala plant and thereby increase the capacity of the plant by over 40%. The increased capacity is expected to come on stream in 18-24 months.

While urea sales grew at a healthy rate, given the healthy demand for crop nutrients DAP and SSP sales also registered strong growth. Given the buoyant market conditions and capacity limitations, the Company also imported and traded in phosphatic fertilisers.

Phosphatic fertilisers, including DAP, NPK and SSP are produced at our plant at Haldia. This plant also manufactures bulk chemicals. In 2006-07, Haldia registered a record production of DAP and complexes. The production for the year was 7,59,222 tonnes which was 10.6% higher than the previous year. During the year, the Company continued to successfully effect considerable cost savings and improve the underlying profitability of its Haldia operations. The SSP plant in Haldia produced 1,59,690 tonnes, which was 13.9% higher than the production in 2005-06.

**2. Tata Kisan Sansar (TKS)**

The Tata Kisan Sansar (TKS) outlets, set up several years ago and now numbering around 600 in the North and East of the country, have grown from being mere shops that once supplied agricultural inputs to farmers, including some of our own fertilisers, to becoming centres that provide a variety of solutions that meet farmer needs. These TKS outlets have become an excellent platform for developing new farm-related activities and future businesses in the agri-space. Through this initiative, TCL has not only established strong relationships with farmers but also developed through a large number of touch-points to farmers, deep insights into the functioning of the rural economy.

Analysis and research have established that farmers look for solutions beyond access to agri-inputs and agri-implements. Their needs extend to farm management services, advice on crops and farming practices, information on prices of their produce, farm credit, storage, crop insurance and a variety of other needs most important of which would of course be contract farming arrangements and market access for their produce. The Company's TKSs service offerings have widened over the years and today, these outlets even promote rural entrepreneurship and initiatives that can co-create value with farmers. Going forward, procurement and contract farming will also form significant part of the TKS business particularly now that the Company has entered into a Fresh Produce business via a new 50:50 joint venture with Total Produce Plc., of Ireland and will be procuring crops as feed stock for bio fuels.

At present, the TKS initiative is concentrated in Punjab, Haryana and UP. During 2006-07, the Company has initiated the process of expanding the network to Bihar, Jharkhand and West Bengal. The network follows a hub and spoke model with 32 hubs (or Tata Kisan Vikas Kendras) that act as central resource centres to service over 589 TKSs, which, in turn, service around 20,000 villages, with access to over 3 million farmers.

The Company has also launched a loyalty programme, where farmers secure membership to TKSs for a nominal fee, to avail added benefits from these outlets. The TKSs are run on a franchisee model and the Company has a programme that recognises franchisee achievements through its diamond, gold and silver clubs.

**3. Fresh Produce Business**

In January 2007, TCL entered into an agreement to form a 50:50 joint venture (JV) Company in India with Total Produce Plc., of Ireland. Total Produce comprises the fresh produce business of Fyffes Plc (de-merged

on 30 December, 2006) and is Europe's largest fresh produce Company. The JV Company will be called Khet-se Agriproduce India Private Limited. The objective of the JV is to create state-of-the-art distribution facilities for fresh fruits and vegetables across India by leveraging the individual strengths that both partners bring to the table. As mentioned in the previous section, the Company has successfully built a network of agri-service centres, branded as Tata Kisan Sansars (TKS), some of which were already engaged in contract farming. TCL provides access to farmers, trust, relationships, experience and insights into the functioning of rural markets. Total Produce brings with it knowledge gained over 100 years of operating in fresh produce in over 30 countries, with great expertise and experience in distribution and the management of supply chain for perishable items.

The 600-odd TKSs will act as the first level contact point for procurement and primary processing. Packed produce will be sent to distribution centres in cities and redistributed to wholesalers. The chain will use modern refrigerated storage and transportation facilities, wherever necessary.

The fresh produce business adds significantly to offerings that can be provided to the farmers. Both JV partners view this initiative as an opportunity to bridge the gap between producer and the end-consumer — something that will significantly increase efficiencies, improve shelf-life and reduce product loss in the supply chain. In the process, the JV should help Indian farmers to improve their incomes and develop the skills needed to raise the quality of farm produce.

Over the next 12 months the Company will establish its first two centres in the north and east of the country. Plans are being drawn out for a rapid roll-out of the model across other regions over the next few years.

It is important to clarify here that the Company is not entering the retail end of the business at this stage. It believes that growing, sourcing, grading, packaging, storage and distribution are the key to success in this business.

#### **New Agri-Business Model**

As mentioned at the start of the Management Discussion and Analysis, as Indian Agriculture modernises and transforms itself over the next decade, the Company is also well positioned to take advantage of the growth and changes in the rural economy. It is in the process of discovering a new and differentiated model for itself in this business space. The three sub-segments: Fertilisers, TKS and the Fresh Produce business become ideal platforms on which to construct this new model. Earlier the Company has been seen as one of the several market fertilisers in India. TCL sees itself as a Company that is well positioned to go beyond just selling fertilisers and to make a difference in the Agri space. Concern for soil nutrition for instance goes well beyond the mere application of fertilisers – it would mean determining and then providing the nutrition the soil actually needs, using modern technology and new value added offerings. The number and variety of TKS offerings have grown over the years and several more can be added. Fresh Produce could be the beginning of a new set of value creating activities in the agri-space, activities that will in the future lead to greater farmer prosperity and augment rural incomes. The possibilities are enormous and the great attraction of being in this domain is to seek out and participate in value creating options as they emerge.

### **III. NEW BUSINESS INITIATIVES**

#### **1. Fresh Produce**

The Fresh Produce Business, which is one of the three new initiatives in 2006-07 has been covered fairly extensively in the earlier part of this Management Discussion and Analysis, under the Company's Agri-Businesses section and is therefore is not repeated here.

#### **2. Innovation Centre**

The Company has over the years developed, grown and created a meaningful business presence in the two major business areas that it has traditionally operated in, viz. Inorganic Chemicals and Fertilisers. While the scale and width of operations in these businesses has been growing with substantial untapped growth potential and ancillary growth possibilities in adjacent spaces in the years ahead, both business, despite being "timeless", are often regarded as old-world, old-technology businesses. They are also capital intensive and at one time notoriously prone to commodity cycles. It was clear to management that the Company needs a set of new businesses that could be a third cluster of offerings which are based on new technology, are cleaner (i.e. less environmentally degrading) and are more sustainable. With this purpose in mind TCL set up an Innovation Centre (IC) in 2005-06. After a period of seeking out new technology options and the likely fit with the Company's vision and mission, the area of focus narrowed down to biotechnology and nanotechnology. In fact the intersect of these two relatively new technologies threw

**Tata Chemicals Limited**

up some very interesting and exciting possibilities. As convergence takes place in the world of science the lines are blurring between technologies and biological processes, showing huge promise in creating totally new products that can service unmet needs.

During 2006-07, a pool of highly qualified scientists has been recruited. As of 31st March 2007, 17 scientists including nanotechnologists, biotechnologists, molecular biologists and bioengineering experts are now working in the IC. Over the next three years, the Centre should have a stable workforce of around 50 scientists. As in most modern scientific organisations, there is a dedicated team that deals with issues related to patents and intellectual property and a business development group.

At present, the Centre runs out of a leased laboratory in Pune. The Company is in the process of acquiring some land on the outskirts of Pune to construct and develop a dedicated R&D centre, which will become its central knowledge hub.

While the scientists are encouraged to dedicate some of their time to exploring "blue-sky" options, they are also encouraged to look at existing products and technologies and seek out new line extensions and processes. However these are akin to the two ends of a "bell-curve". In the centre of the bell curve, where the domain expertise really lies, the IC's focus will be in developing products and processes via the application of bio and nanotechnology.

These include:

- New processes for the manufacture of Bio Diesel and Bio Ethanol
- Nano materials, bio materials and advanced / smart materials
- Alternate sources of energy, water purification, etc.

In addition to in-house research, the IC also partners and collaborates with universities and scientific institutions. Several research projects are in areas of more futuristic cutting-edge research, which is best carried out in specialised institutes.

**3. Bio-Fuels**

Furthering its endeavour to build sustainable businesses, TCL has entered the fascinating world of bio-fuels – both bio-diesel and bio-ethanol. Given the depletion in fossil fuel reserves and the environmental need of cleaner more CO<sub>2</sub>-neutral emission fuels, there is substantial scope and potential in this business.

Jatropha curcas and pongamia pinna are two non-food bio fuel-rich plant species identified as suitable for cultivation on a commercial scale for the production of Bio Diesel. Similarly there are a couple of non-sugar cane options for the production of bio-ethanol, which the Company will be undertaking on a commercial scale during 2007-08. Here again the synergy with the TKS business in the area of agri-procurement will be a huge advantage for the Company.

A dual approach will be followed in developing this business - (a) a quick start with conventional methods of production, which are fairly well known and proven in use, (b) advanced and novel technologies for the production of bio-fuels which are being developed at the IC.

**PERFORMANCE HIGHLIGHTS: TCL ON A CONSOLIDATED BASIS**

It was in 2005-06 that TCL made a beginning in establishing a presence outside India.

The first overseas investment was in Morocco. TCL became an equal partner in a Moroccan Company called Indo Maroc Phosphore S.A. (IMACID) an existing joint venture between Office Cherifien de Phosphates (OCP), the world's largest producer of rock phosphate and phosphatic fertilisers and Chambal Fertilisers and Chemicals Limited a KK Birla Group Company. While the investment was made primarily to secure supplies of phosphoric acid for producing DAP (Di-Ammonium Phosphate) and NPK composite fertilisers produced at Haldia, it also provides opportunities for other collaborations and initiatives based on the strengths of the other partners.

Also towards the end of 2005-06, TCL acquired the Brunner Mond Group Limited (BMGL) and its Kenyan subsidiary The Magadi Soda Company Limited (MSC). The integration process following the acquisition of BMGL was smooth and successful. Several synergies were identified and the companies are now working together seamlessly.

2006-07 is the first full year of operations of the Company, as a global consolidated entity. On a consolidated basis, the Company's revenues are now in excess of US\$ 1.4 billion, and both the investments are performing to expectation. The highlights of the Company's performance on a consolidated basis are:

1. Net Sales (i.e. sales net of excise duty) increased by 44.0% from Rs. 4,034 crores in 2005-06 to Rs. 5,810 crores in 2006-07
2. Profit from Operations increased by 33.9% from Rs. 752 crores in 2005-06 to Rs. 1,007 crores in 2006-07



3. Profit after Tax (PAT) increased by 18.7% from Rs. 428 crores in 2005-06 to Rs. 508 crores in 2006-07
4. Return on Capital Employed (ROCE) for 2006-07 was 18.9%, while Return on Net Worth (RONW) was 22.2%
5. Earnings per share (basic) increased from Rs. 19.91 in 2005-06 to Rs. 23.62 in 2006-07

In the Chemicals Business, the BMGL acquisition has given TCL a global production capacity of over 3 million metric tonnes, making it the world's third largest soda ash producer accounting for ~8% share of the global market. The acquisition is brought with it a clearer understanding of the dynamics of the world soda ash industry, a presence in Europe and contact with global customers, an opportunity to benchmark and migrate best practice between the various plants operating in 3 continents, share costs and create synergies from combined operations. The Magadi operation is unique in that the soda ash at that site is naturally produced and replenished, making it one of the lowest cost soda ash producers in the world.

As shareholders would recall, when BMGL was acquired in 2005-06, the plant at Magadi (Kenya) was in the process of installing new Pure Ash facility that would double its soda ash capacity. There have been delays in commissioning the new plant, which the Company now expects to come on-stream during 2007-08. The expansion significantly increases the contribution from MSC, which as mentioned earlier is a very valuable part of the BMGL operation. TCL is evaluating the possibility of further expanding soda ash capacity in Kenya in addition to de-bottlenecking the Mithapur plant.

The world's demand for soda ash is estimated at ~37 million tonnes, versus a capacity of ~42 million tonnes. Globally, this industry operates at, given routine shutdowns and occasional interruptions, close to full capacity. Prices have remained firm, and, other than Europe, have actually increased marginally during 2006-07. The global economy has seen three years of above average growth and consequently the global demand-supply situation for soda ash is tight and prices are expected to continue to be firm even as some new capacities come on-stream. Other than the threat of a slowdown in the US economy, which could release soda ash tonnage into the European market, no major threats are seen at this point.

The BMGL acquisition also makes TCL the third largest producer of Soda Bi-carbonate. Unlike soda ash, given that the main user segments are pharmaceuticals and food, sodium bi-carbonate does not go through business cycles and is a more stable business. The global strategy for this business is focused on new applications. A pharma/food-grade soda bi-carbonate manufacturing facility with an installed capacity of 50,000 tonnes is coming on stream at the Delfzijl plant in Netherlands. In addition, the Company is also considering setting up additional capacity of 50,000 tonnes of soda bi-carbonate at its UK plant. Both these projects add high value products to the Company's offerings.

The Company's entry into the IMACID joint venture was very opportune. During the last year not only have supplies of Phosphoric acid been difficult to come by for companies that do not have collaborations or JV's abroad with producers of rock/acid, but prices have risen considerably and the current price agreed for supplies to India through the consortium buying system is USD 105 per MT higher than in the previous year. IMACID has performed very well and a project to expand capacity by 33% was completed on time and within budgeted cost. IMACID's revenues increased by 14.8% from Rs.716 crores in 2005-06 to Rs.822 crores in 2006-07.

### **Human Resources**

People are central to the Company's performance and growth and the organization consistently values the contribution and involvement of employees. The Company has a comprehensive HR strategy aligned to the business strategy and all people processes are designed to achieve the strategy.

The Company is consistently focusing on building capability in employees at all levels. The Company has robust talent management and succession planning processes in place and has been tracking consistently the talent pipeline and leadership bandwidth at the highest level in the organization in order to equip the organization to handle both consolidation and growth.

During 2006-07, the Company worked extensively on developing the functional skills of employees and had launched the Udaan Academy an in-house initiative to upgrade skills to global standards. To build managerial and leadership skills, the company focused on Management Development Programmes, Supervisory Development Programmes and Operator Certification Programmes along with structured leadership programmes through Tata Management Training Center (TMTC), managed by Group HR. Employee relations at all locations have been extremely harmonious and the company has successfully inked long term wage settlements at Mithapur and Haldia. The supervisory level employees across the company have move to a performance linked appraisal system.

An important success achieved during 2006-07 was the successful integration of Brummer Mond and Magadi Soda with TCL. A planned and well defined integration programme was undertaken over the first 100 days followed by seamless working of the three organisations as one. Today, a uniform set of values and ethics bind the workforce of

**Tata Chemicals Limited**

the three companies. The learnings from this integration are being documented in the manual so that it becomes an integral part of the knowledge within the organisation and serve as basis for future integrations.

**COMMUNITY DEVELOPMENT AND ENVIRONMENT MANAGEMENT (Corporate Social Responsibility)**

Sustainability and corporate social responsibility is integrated in all the activities that TCL undertakes. The Company actively seeks-out opportunities to engage with all the major external stakeholders like communities around its factories, Government agencies, corporate bodies and NGOs. Many years ago, in 1980, TCL promoted an NGO – 'Tata Chemicals Society for Rural Development' (TCSRSD) whose functions are closely monitored and supported by the Company. The aim of the society is to undertake holistic community development. TCSRSD follows a structured process through which it engages with the communities around its plant sites to understand their needs. TCSRSD thereafter in consultation with these communities encourages them to develop programmes that will improve self-reliance, health and hygiene. These programmes are thereafter executed with the support of TCSRSD. Examples are:

- Helping communities to manage their water and other natural resources effectively
- Forming self-help groups to improve their economic conditions
- Helping land reclamation
- Encouraging rural enterprise development, like handicrafts where women contribute more and gain economic independence
- Providing vocational training
- Promoting quality health and education

TCSRSD and TCL also encourage community action through volunteering by Company employees. The movement is gaining strength and more and more employees are coming forward to volunteer and independently take on the responsibility for implementing several TCSRSD programmes.

TCL's efforts in community development have been recognised at the national level. Recently TCL was selected as winner of the Business World FICCI-SEDF SCR Award 2006, which was handed over to the Company by the President of India.

**Internal Controls and Risk Management**

TCL has a robust internal audit and control system. The Company has an Internal Audit Department staffed with qualified and experienced people. The head of the Internal Audit Department reports directly to the Audit Committee of the Board of Directors, and recommends control measures from time to time.

Internal audits are conducted based on a risk-based audit plan, which is approved by the Audit Committee of the Board at the beginning of the year.

Tata Chemicals lays emphasis on risk management and TCL has institutionalised, since 2005-06, an enterprise-wide approach to risk management, which lays emphasis on identifying and managing key operational and strategic risks. Through this approach, the Company strives to identify opportunities that enhance organisational values while managing or mitigating risks that can adversely impact its future performance. The entire organisation, up to the level of Divisional Managers, performs an important role in the Company's comprehensive risk management exercise. During the year the scope of risk management has been extended to project management exercises, where detailed risks are identified, profiled and assessed for each project. The Company is also developing separate risk process policies, which will subsequently get embedded into the work-life of employees. The risk management framework entails regular review of risk status and risk exposure by designated senior management committees. The Board of the Directors and the Audit Committee are also periodically apprised of the risk management framework and the initiatives taken by the Company to mitigate material risks.

To ensure consistency of the risk management process across the organisation, TCL has also prepared and adopted a well-defined risk management charter based on the international standard AS/NZS 4360:1999.

**Cautionary Statement**

*Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the agriculture, fabric wash and glass industry— global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.*

## CORPORATE GOVERNANCE REPORT

### 1. Company's Philosophy on the Code of Governance

#### Introduction

Corporate Governance essentially is the system by which Companies are directed and controlled by the management in the best interest of the stakeholders and others. Corporate Governance ensures fairness, transparency and integrity of the management. Corporates should treat Corporate Governance as a way of corporate life, rather than a mere legal compulsion. It further inspires and strengthens investor's confidence by ongoing commitment to overall growth of the Company.

Good corporate governance practices have always been an integral part of your company's philosophy, which is further strengthened by adoption of the Tata Business Excellence and the Tata Code of Conduct.

In compliance with the disclosure requirements of Clause 49 of the Listing Agreement executed with the stock exchanges, the details are set out below:

### 2. Board of Directors

The Board of Directors provides strategic direction and thrust to the operations of the Company, thereby enhancing the value of the stakeholders.

#### Composition

The Board has an optimum combination of Executive and Non-Executive Directors, and is in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges, in which the Company's Ordinary Shares are listed. The composition of the Board as on March 31, 2007 was as under:

2 Promoter, Non Executive Directors (Including the Chairman)

1 Executive Director (Managing Director)

5 Independent, Non Executive Directors

2 Non Independent, Non Executive Directors

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as per Clause 49(I)(C)(ii)) across all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other companies.

#### Meetings held

The Board met seven times on the following dates during the financial year 2006-2007.

May 30, 2006	July 26, 2006
September 12, 2006	October 30, 2006
December 05, 2006	January 30, 2007
March 30, 2007	

#### Board Procedure

The annual calendar of Board Meetings is agreed upon at the beginning of the year.

The Agenda is circulated well in advance to the Board members. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. In addition to the information required under Annexure IA to Clause 49 of the Listing Agreement, the Board is also kept informed of major events/items and approvals taken wherever necessary. The Managing Director at the Board Meetings keeps the Board apprised of the overall performance of the Company.

#### Code of Conduct

The Company had adopted the Tata Code of Conduct for all the employees of the Company including the Whole-time Directors. The Board had also approved a Code of Conduct for Non-Executive Directors. The Code of Conduct for the employees as well as Non-Executive Directors are posted on the Company's website.

Further all the Board members and senior management personnel (as per Clause 49 of the listing Agreement) have affirmed the compliance with the respective Code of Conduct. A declaration to this effect signed by the Managing Director (CEO) forms part of this report.

## Sixty-eighth annual report 2006-2007

**Tata Chemicals Limited**
**Category and Attendance of Directors**

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the financial year 2006-2007 and at the last Annual General Meeting (AGM), as also the number of Directorships and Committee positions held by them in other public limited companies as on March 31, 2007 are as follows:

Name	Category	No. of Board Meetings attended during the financial year 2006-2007	Whether attended AGM held on July 17, 2006	Number of Directorships in other public limited companies*		No. of Committee positions held in other public limited companies*	
				Chairman of the Board	Board Member	Chairman of the Committee	Member
Mr. R. N. Tata (Chairman)	Promoter, Non-Executive	5	Yes	11	2	—	—
Mr. R. Gopalakrishnan (Vice-Chairman)	Promoter, Non-Executive	7	Yes	1	8	—	3
Mr. D. M. Ghia (Ceased to be a Director w.e.f. July 17, 2006)	Independent, Non-Executive	1	N/A	—	—	—	—
Mr. Nusli N. Wadia	-do-	5	No	5	4	—	1
Mr. R. C. Khanna (Ceased to be a Director w.e.f. Sept 30, 2006)	-do-	3	Yes	—	—	—	—
Dr. D. V. Kapur	-do-	5	Yes	2	5	4	2
Mr. P. R. Menon (Ceased to be Managing Director w.e.f Oct 16, 2006) (Appointed as an Additional Director w.e.f Oct 30, 2006)	Non-Independent, Non-executive	5	Yes	—	11	—	1
Dr. T. Mukherjee	Non -Independent, Non-Executive	6	Yes	3	3	—	1
Mr. Homi R. Khusrokhhan (Appointed as Managing Director w.e.f Oct 16, 2006)	Managing Director	7	Yes	—	1	—	1
Dr. Vijay L. Kelkar	Independent, Non-Executive	6	Yes	2	8	—	3
Mr. Nasser Munjee (Appointed as an Additional Director w.e.f. Sept 25, 2006)	Independent, Non-Executive	3	N/A	1	13	3	6
Dr. Yoginder K. Alagh (Appointed as an Additional Director w.e.f. Sept 25, 2006)	Independent, Non-Executive	2	N/A	—	1	—	—

\* Note: Excludes Directorships in Private Limited Companies, Foreign companies and Government Bodies. Only Audit Committee and Shareholders Grievance Committee have been considered for the committee positions.

**Shareholdings of Non-executive directors as on March 31, 2007 are as under:**

<b>Name</b>	<b>No. of Ordinary shares held</b>	<b>% of Paid-up Capital</b>
Mr. R. N. Tata (Chairman)	28695	0.013
Mr. R. Gopalakrishnan (Vice-Chairman)	15000	0.007
Mr. R. C. Khanna (Ceased to be a Director w.e.f. Sept 30, 2006)	8000	0.004

**3. Audit Committee**

**Composition as at March 31, 2007**

Mr. Nasser Munjee (Appointed as Chairman of the Committee w.e.f January 02, 2007)	Chairman
Mr. R. Gopalakrishnan	Member
Dr. Vijay L. Kelkar	Member
Dr. Yoginder K. Alagh (Appointed as a Member of the Committee w.e.f January 02, 2007)	Member
Mr. R. C. Khanna (Ceased to be Chairman & Member of the - Committee w.e.f Sept 30, 2006)	-
Mr. D. M. Ghia (Ceased to be Member of Committee - w.e.f July 17, 2006)	-

Mr. Nasser Munjee is an eminent Economist and Finance professional. Other members of the Committee have wide exposure in the relevant areas. The composition of the Committee is in conformity with Clause 49 (II) (A) of the Listing Agreement.

**Terms of Reference**

The terms of reference of the Audit Committee, broadly are as under:

1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are true and fair.
2. Recommending to the Board, the appointment, re-appointment of the statutory auditors, fixation of audit fees and fees for other services.
3. Reviewing, with Management, the quarterly and annual financial statements before submission to the Board for approval.
4. Reviewing the adequacy of internal control systems and internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
5. Discussing with internal auditors any significant findings and follow up there on.
6. 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.
7. Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
8. To look into the reasons, if any for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividend) and creditors.
9. In addition to the above, all items listed in Clause 49 (II) (D) of the Listing Agreement.

## Sixty-eighth annual report 2006-2007

**Tata Chemicals Limited**
**Meetings held:**

During the financial year 2006-2007, eight Audit Committee meetings were held on the following dates:

April 11, 2006	May 30, 2006
July 25, 2006	September 13, 2006
October 30, 2006	November 17, 2006
January 29, 2007	February 22, 2007

**Attendance:**

Name of Director	No. of Meetings Attended
Mr. R. C. Khanna(Ceased to be Chairman & Member of the Committee w.e.f 30.09.2006)	4
Mr. Nasser Munjee(Appointed as Chairman of the Committee w.e.f 02.01.2007)	4
Mr. R. Gopalakrishnan	7
Mr. D. M. Ghia(Ceased to be a Member of the Committee w.e.f 17.07.2006)	2
Dr. Vijay L. Kelkar	6
Dr. Yoginder K. Alagh(Appointed as a Member of the Committee w.e.f 02.01.2007)	2

The Managing Director, the Chief Financial Officer and the Head Corporate Audit & Risk Management are invited for all the meetings. General Manager - Finance & Accounts, Chief Operating Officers and Head – Human Resources are invited for the meetings as and when required. Representatives of the Statutory Auditors are also present at all the meetings.

Company Secretary acts as the Secretary to the Committee.

Mr. R. C. Khanna – Chairman of Audit Committee, Mr. R. Gopalakrishnan and Dr. Vijay L. Kelkar – Members of the Audit Committee were present at the last Annual General Meeting held on July 17, 2006.

**4. Remuneration Committee**
**Composition as of March 31, 2007**

Mr. Nusli N. Wadia (Appointed as Chairman of the Committee w.e.f May 15, 2006)	Chairman
Mr. R. N. Tata	Member
Mr. R. Gopalakrishnan	Member

**Terms of Reference:**

- To appraise the performance of Managing and Executive Director and
- To determine and recommend to the Board, compensation payable to Managing and Executive Director.

**Meeting & Attendance**

Three meetings were held during the financial year 2006-2007 i.e. on May 30, 2006, July 26, 2006 and October 30, 2006 and all the members attended these meetings.

**Remuneration Policy:**
**Non-Executive Directors**

The remuneration of the Non-Executive Directors (NEDs) of the Company is decided by the Board of Directors. The NEDs are paid remuneration by way of Commission and Sitting Fees. In terms of the approval of the members at

the 64th Annual General Meeting of the Company held on December 15, 2003, commission is paid at a rate not exceeding one per cent of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956. The distribution of the commission amongst the NEDs is determined by the Board and is broadly based on attendance, contribution at the Board Meetings and various Committee Meetings as well as time spent on operational matters other than at aforesaid meetings.

The Company did not have any pecuniary relationship or transactions with the Non Executive Directors during the financial year 2006-2007.

### Sitting fees

The Company pays Rs. 10,000/- per meeting towards sitting fees to Non-Executive directors for attending the meetings of the Board, Audit Committee and Committee of Directors. An amount of Rs. 5000/- (revised to Rs. 10,000/- w.e.f April 01, 2007) per meeting is being paid for attending the Remuneration Committee Meeting and an amount of Rs. 5000/- per meeting is being paid for attending the Shareholders Investor Grievance Committee Meeting.

### Managing Director and Executive Director

The Company pays remuneration to its Managing Director and Executive Director by way of salary, perquisites and allowances (a fixed component) and commission (a variable component). Salary is paid within the overall limits approved by the members of the Company. The Board, on the recommendations of the Remuneration Committee, approves the annual increments (effective 1st April each year). Within the prescribed ceiling, the perquisite package is recommended by the Remuneration Committee to the Board. Commission is calculated with reference to the net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the Remuneration Committee, subject to the overall ceiling as stipulated in Sections 198 and 309 of the Companies Act, 1956.

### Service Contracts, Severance Fees and Notice Period with Managing and Executive Directors:

#### Managing Director:

Period of contract : Upto December 14, 2008

Termination of the contract : By either party giving the other six months notice or the Company paying six months salary in lieu thereof.

Severance fees : Nil

### Details of remuneration paid to the Directors during the financial year 2006-2007

#### Executive Directors:

(Rupees)

Director	Salary	Perquisites and Allowance #	Commission (for the financial year 2005-2006) paid in 2006-2007
Mr. P. R. Menon (Managing Director – ceased to be Managing Director w.e.f Oct. 16, 2006)	18,80,323	23,30,008	80,00,000
Mr. Homi R. Khusrokhana (Executive Director – Appointed as the Managing Director w.e.f Oct. 16, 2006)	28,80,000	40,14,168	50,00,000

# Does not include contribution to Gratuity Fund, as separate figures are not available for the Managing Director and Executive Director.

**Tata Chemicals Limited**
**Non-Executive Directors:**
**(Rupees)**

Director	Sitting Fees	Commission (for the financial year 2005-2006) paid in 2006-2007
Mr. R.N. Tata	1,15,000	16,00,000
Mr. R. Gopalakrishnan	2,05,000	20,00,000
Mr. Keshub Mahindra (Ceased to be a Director w.e.f March 24, 2006)	—	4,20,000
Mr. D.M. Ghia (Ceased to be a Director w.e.f July 17, 2006)	35,000	7,00,000
Mr. Nusli N. Wadia	85,000	8,00,000
Mr. R.C. Khanna (Ceased to be a Director w.e.f September 30, 2006)	70,000	11,45,000
Dr. D.V. Kapur	50,000	4,00,000
Mr. Prasad R. Menon (appointed as an Additional Director w.e.f October 30, 2006)	30,000	—
Dr. T. Mukherjee	60,000	4,85,000
Dr. Vijay L. Kelkar	1,30,000	4,50,000
Mr. Nasser Munjee (Appointed as an Additional Director w.e.f September 25, 2006)	70,000	—
Dr. Yoginder K. Alagh (Appointed as an Additional Director w.e.f September 25, 2006)	45,000	—

**Commission payable to the Directors for the financial year 2006-07**

Non Executive Directors : Rs. 120.00 lacs

Mr. H. R. Khusrokhhan : Rs. 80.00 lacs

 (Executive Director from 01.04.06 -15.10.06 &  
Managing Director from 16.10.06 onwards)

Mr. Prasad R. Menon : Rs. 45.00 lacs

(Managing Director from 01.04.06 – 15.10.06)

As per the practice, commission to the Directors is paid after the annual accounts are adopted by the members at the Annual General Meeting.

**5. Shareholders'/Investors' Grievance Committee**
**Composition as of March 31, 2007**

Dr. Yoginder K. Alagh Chairman

Mr. Homi R. Khusrokhhan Member

(Managing Director)

 (Appointed as a member of the  
Committee w.e.f October 16, 2006)



Mr. D. M. Ghia -  
(Ceased to be Chairman of the  
Committee w.e.f July 17, 2006)

Mr. Prasad R. Menon -  
(Ceased to be a member of the  
Committee w.e.f Oct 16, 2006)

**Terms of Reference:**

To look into redressal of investors' complaints and requests such as transfer of shares/debentures, non-receipt of dividend, annual report, etc.

**Meetings held and attendance:**

During the financial year 2006-2007, two meetings were held on May 30, 2006 and January 29, 2007.

**Attendance:**

Name of Director	No. of Meetings Attended
Dr. Yoginder K. Alagh (Appointed as Chairman and Member of the Committee w.e.f January 02, 2007)	1
Mr. Homi R. Khusrokhhan (Managing Director) (Appointed as a Member of the Committee w.e.f October 16, 2006)	1
Mr. D. M. Ghia (Ceased to be Chairman and Member of Committee w.e.f July 17, 2006)	1
Mr. Prasad R. Menon (Ceased to be a Member of Committee w.e.f October 16, 2006)	1

**Compliance Officer (upto March 15, 2007)**

Mr. B. Renganathan  
Company Secretary  
Tata Chemicals Limited  
Bombay House, 24 Homi Mody Street,  
Fort, Mumbai 400 001

Based on the report received from the Company's Registrars, the number of Complaints received from shareholders comprises of correspondence identified as complaints i.e. letter received through statutory/regulatory bodies and letter pertaining to fraudulent encashment.

Status of Investor Complaints as on March 31, 2007 and reported under Clause 41 of the Listing Agreement are as under:

Complaints as on April 1, 2006 : 3  
 Received during the year : 37  
 Resolved during the year : 40  
 Pending as on March 31, 2007 : Nil

**Investor Satisfaction Survey**

A questionnaire to determine the satisfaction level of the investors and to explore avenues for improvement was sent to all the members of the Company, during the year under review.

Responses received from the members were indicative of "Satisfied Investors" and the initiative taken by the Company in seeking such feedback was highly appreciated by the members.

**Tata Chemicals Limited**

**6. Committee of Directors**

This Committee (non-mandatory) was constituted in the year 1998.

**Composition as of March 31, 2007**

Mr. R. N. Tata	Chairman
Mr. R. Gopalakrishnan	Member
Mr. Nusli N. Wadia	Member
Mr. Prasad R. Menon	Member
(Ceased to be a member of the Committee w.e.f 16.10.2006 & appointed as a member of the Committee w.e.f 02.01, 2007)	
Dr. Vijay L. Kelkar (Appointed as a member of the Committee w.e.f January 02, 2007)	Member
Mr. Homi R. Khusrokhhan (Appointed as a member of the Committee w.e.f. Oct 16, 2006)	Member

**Terms of Reference:**

- To periodically review the ongoing capital expenditure and the investments made by the Company.
- To examine new proposals for investment from the stand point of their business and financial impact.
- To formulate the future strategic direction and business development of the Company.

**Meetings held:**

July 04, 2006	August 17, 2006
September 12, 2006	January 10, 2007
March 23, 2007	

**Attendance:**

Name of Director	No. of Meetings Attended
Mr. R. N. Tata	5
Mr. R Gopalakrishnan	5
Mr. Nusli N Wadia	2
Mr. Prasad R. Menon (Ceased to be a member of the Committee w.e.f 16.10.2006 & appointed as a member of the Committee w.e.f 02.01.2007)	4
Dr. Vijay Kelkar(Appointed as a member of the Committee w.e.f 02.01.2007)	1
Mr. Homi R. Khusrokhhan (Appointed as a member of the Committee w.e.f. 16.10.2006)	2

## 7. Details on General Body Meetings:

Location, date and time of General Meetings held during the last 3 years:

### Annual General Meeting:

Year	Location	Date	Day	Time	No. of Special Resolutions
2003-04	Birla Matushri Sabhagar, 19,Vithaldas Thackersey Marg, Mumbai 400 020	September 20, 2004	Monday	3.30 p.m.	1
2004-05	Birla Matushri Sabhagar, 19,Vithaldas Thackersey Marg, Mumbai 400 020	July 21, 2005	Thursday	3.00 p.m.	-
2005-06	Birla Matushri Sabhagar, 19,Vithaldas Thackersey Marg, Mumbai 400 020	July 17, 2006	Monday	3.30 p.m.	-

### Extra Ordinary General Meeting (EGM):

Year	Location	Date	Day	Time	No. of Special Resolutions
**CCM	Birla Matushri Sabhagar, 19,Vithaldas Thackersey Marg, Mumbai 400 020	July 25, 2003	Friday	3.30 p.m.	-
EGM	Birla Matushri Sabhagar, 19,Vithaldas Thackersey Marg, Mumbai 400 020	July 25, 2003	Friday	4.30 p.m.	-
EGM	Birla Matushri Sabhagar, 19,Vithaldas Thackersey Marg, Mumbai 400 020	January 18, 2005	Tuesday	3.30 p.m.	2

\*\*Court Convened Meeting

None of the resolutions was required to be put through postal ballot.

## 8. Disclosures

### Related Party Transactions

During the financial year 2006-2007 there were no materially significant transactions entered into between the Company and its promoters, directors or the management, subsidiaries, joint ventures or relatives etc. that may have potential conflict with the interests of the Company at large. Declarations have been received from the senior management personnel to this effect.

### Statutory Compliance, Penalties and Strictures

The Company has complied with the requirements of the Stock Exchanges/SEBI/ and Statutory Authority on all matters related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by these authorities.

### Non-Mandatory Requirements:

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

**Tata Chemicals Limited**

The status of compliance with Non-mandatory requirement is as under:

- The Company has adopted the guidelines for the composition of the Board of Directors, which provide for the tenure and retirement age for the Non-Executive Directors.
- The Company has setup a Remuneration Committee pursuant to Clause 49 of the Listing Agreement. The broad terms of reference of the Committee are to appraise the performance of Managing/ Executive Directors, determine and recommend to the Board, compensation payable to Managing/ Executive Directors.
- The Company posts its results on its website at [www.tatachemicals.com](http://www.tatachemicals.com) and this information is also available at [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in). A half yearly declaration of financial performance including summary of significant events in last six-months has not been sent to each household of shareholders, as the quarterly results are published in widely circulated English newspaper.
- During the financial year 2006-07 there is no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure the regime of unqualified financial statements.

**9. Means of Communication:**

- The quarterly results are published in the following Newspapers:  
Indian Express (English)  
Loksatta (Marathi)  
Sandesh (Gujrati)
- The financial results are displayed on [www.tatachemicals.com](http://www.tatachemicals.com)
- Management Discussion and Analysis forms part of the Annual Report.
- The Company also regularly posts information relating to its financial results and shareholding pattern on Electronic Data Interpretation, Filing and Retrieval System (EDIFAR) at [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in)
- The official news releases, presentation made to the Shareholders at the Annual General Meeting and the presentation made to analysts are posted on the Company's website.

**10. General Shareholder Information****Annual General Meeting**

- Date and Time** : July 27, 2007 at 3.00 p.m.
- Venue** : Birla Matushri Sabhagar, 19 Sir Vithaldas Thackersey Marg, Mumbai - 400 020
- Financial year** : April to March
- Book Closure Date** : July 10, 2007 to July 27, 2007  
(both days inclusive - for the purpose of AGM and Dividend)
- Dividend payment date** : On or after July 30, 2007
- Listing on Stock Exchanges** : The Company's Ordinary Shares are listed on the following Stock Exchanges:
- (1) The Bombay Stock Exchange Limited, (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.
  - (2) The National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai 400 051
  - (3) The Calcutta Stock Exchange Association Limited, 7, Lyons Range, Kolkata 700 001

[The application for delisting of shares is still pending with the Calcutta Stock Exchange and the Company is vigorously following up in this matter.]

The Company has paid the Annual Listing fees, for the financial year 2006-07.

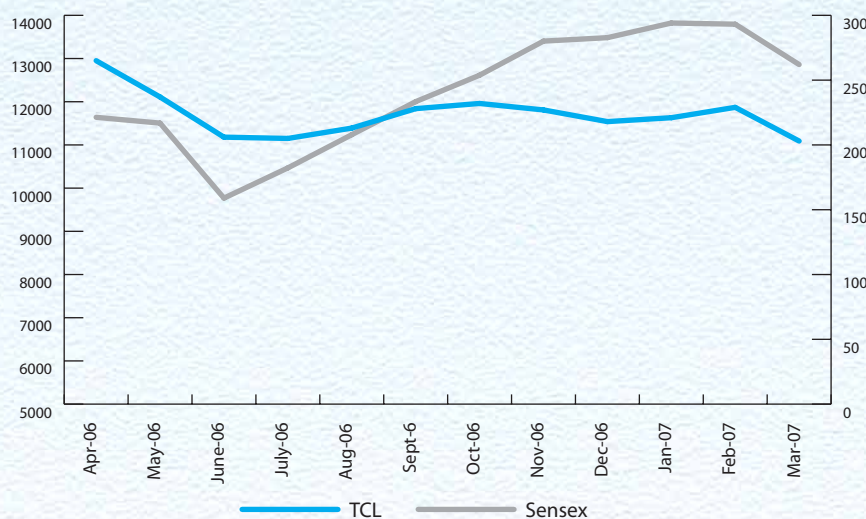
**Stock Code:**

The Bombay Stock Exchange Limited, (Physical Segment)	TATACHM770
The Bombay Stock Exchange Limited (Demat Segment)	TATACHM500770
The National Stock Exchange of India Limited	TATACHEM EQ
The Calcutta Stock Exchange Association Limited	TATACHEM30012
<b>Demat ISIN in NSDL and CDSL for Equity Shares</b>	INE092A01019

**Market Price Data:**

	Bombay Stock Exchange (in Rupees)		National Stock Exchange (in Rupees)	
	High	Low	High	Low
Apr- 2006	277.00	252.75	279.80	231.10
May-2006	268.35	205.55	275.00	187.00
Jun-2006	221.80	190.55	254.00	187.90
Jul-2006	216.50	194.30	217.00	188.15
Aug-2006	224.80	201.05	232.70	197.10
Sep-2006	240.95	214.95	244.00	211.00
Oct-2006	240.10	224.75	245.15	220.10
Nov-2006	234.40	219.15	236.50	217.55
Dec-2006	227.15	207.90	228.90	200.50
Jan-2007	228.85	212.75	232.95	210.10
Feb-2007	242.00	215.30	243.00	202.00
Mar-2007	216.40	189.05	218.90	187.00

**TCL's Share Price Vs BSE Sensex**



**Tata Chemicals Limited**
**Registrar and Transfer Agents.**
**TSR Darashaw Limited**

6-10 Haji Moosa Patrawala Industrial Estate  
20, Dr. E. Moses Road  
Mahalaxmi  
Mumbai – 400 011

Tel. : 022 6656 84 84  
Fax : 022 6656 84 94  
E-mail : [csg-unit@tsrdarashaw.com](mailto:csg-unit@tsrdarashaw.com)  
Website : [www.tsrdarashaw.com](http://www.tsrdarashaw.com)

Business Hours : 10.00 a.m. to 3.30 p.m.  
(Monday to Friday)

For the convenience of investors based in the following cities, transfer documents and letters will also be accepted at the following branches of TSR Darashaw Limited:

**TSR Darashaw Limited**

503, Barton Centre, 5th Floor  
84, M. G. Road,  
Bangalore - 560 001  
Tel: 080 25320321  
Fax: 080 25580019  
E-mail: [tsrdlbgang@tsrdarashaw.com](mailto:tsrdlbgang@tsrdarashaw.com)

**TSR Darashaw Limited**

Tata Centre, 1st Floor,  
43, Jawaharlal Nehru Road  
Kolkata - 700 071  
Tel: 033 22883087  
Fax: 033 22883062  
e-mail; [tsrdlcal@tsrdarashaw.com](mailto:tsrdlcal@tsrdarashaw.com)

**TSR Darashaw Limited**

Plot No. 2/42, Sant Vihar  
Ansari Road, Daryaganj  
New Delhi -110 002  
Tel: 011 23271805  
Fax: 011 23271802  
E-mail: [tsrdldel@tsrdarashaw.com](mailto:tsrdldel@tsrdarashaw.com)

**TSR Darashaw Limited**

Bungalow No. 1, 'E' Road  
Northern Town, Bistupur  
Jamshedpur - 831 001  
Tel: 0657 2426616  
Fax: 0657 2426937  
E-mail: [tsrdljsr@tsrdarashaw.com](mailto:tsrdljsr@tsrdarashaw.com)

**Share Transfer Process:**

Share in physical forms are processed by the Registrar and Share transfer agent within 15-20 days from the date of receipt, if the documents are complete in all respects. The Managing Director, Chief Financial Officer and the Company Secretary have been severally empowered to approve transfers.

Distribution of Shareholding as on March 31, 2007

Category	No. of Shares	Percentage	No. of Shareholders	Percentage
1 - 500	2,25,07,207	10.46	1,75,703	88.20
501 - 1000	96,48,263	4.49	12,926	6.49
1001 - 2000	87,86,211	4.09	6,155	3.09
2001 - 3000	46,01,699	2.14	1,855	0.93
3001 - 4000	27,70,825	1.29	786	0.39
4001 - 5000	24,11,227	1.12	528	0.27
5001 - 10000	57,32,258	2.66	809	0.41
Greater than 10000	15,86,44,961	73.75	442	0.22
<b>Total</b>	<b>21,51,02,651</b>	<b>100.00</b>	<b>199204</b>	<b>100.00</b>

Category of shareholding as on March 31, 2007

Category	No. of Shares	Percentage
Tata Companies & Trusts	6,79,67,032	31.60
Resident Individuals	5,82,30,407	27.07
Foreign Holdings	1,27,14,660	05.91
Public Financial Institutions	4,81,74,886	22.40
Government / Government Companies	76,048	00.03
Other Companies, Mutual Funds	2,64,12,665	12.28
Nationalised Banks	15,26,953	00.71
<b>Total</b>	<b>21,51,02,651</b>	<b>100.00</b>

**Dematerialization of shares and liquidity:**

Percentage of Shares held in

physical form	: 6.49
electronic form with NSDL	: 90.80
electronic form with CDSL	: 2.71

The Company's Ordinary shares are regularly traded on the Bombay Stock Exchange Limited and on The National Stock Exchange of India Limited.

**Foreign Currency Convertible Bonds:**

Brief terms of the Foreign Currency Convertible Bonds (FCCBs) issued in 2004-05 are as under:

Total Issue size	: US\$150 million
Face Value	: US\$ 1000 each
Initial Conversion price	: Rs. 231.375 per Ordinary Share
New Conversion price	: Rs. 230.78 per Ordinary Share (refer Note No. 11 of Notes to Accounts)
Conversion Period	: Between March 13, 2005 and January 22, 2010
Conversion during year 2006-07	: NIL

The proceeds of FCCB were utilized partly in May 2005 for acquiring 1/3rd stake in the Indo Maroc Phosphore S.A (IMACID) and the balance for acquiring the shares of Brunner Mond Group Limited in the year 2005-06.

**Plant Locations**

Chemicals Division	: Mithapur 361 345, Okhamandal, Gujarat
Fertilizer Division	: Indira Dham, P. O. Box No. 1 Babrara 202 521, Dist. Badaun, Uttar Pradesh
Haldia Works	: P. O. Durgachak, Haldia, Dist. East Midnapore, West Bengal - 721 602

**Tata Chemicals Limited**

<b>Subsidiaries</b>	: • Homefield International Pvt. Ltd. IFS Court, Twenty Eight, Cybercity, Ebene, Mauritius
	• Homefield Pvt. UK Ltd. 18, Grosvenor Place, London, SW1X7HS
	• Brunner Mond Group Limited Mond House, Winnington, Northwich, Cheshire, CW84DT
<b>Joint Ventures</b>	: • Indo Maroc Phosphore S.A (IMACID) Immeuble OCP, 2, rue Al Abtal – Hay Erraha, Casablanca, Morocco.
	• Khet-se Agriproduce India Pvt. Ltd. (incorporated 9th March, 2007) Jeevan Bharati Building 10th Floor, Connaught Place New Delhi – 110 001
<b>Address for correspondence</b>	: Tata Chemicals Limited Bombay House, 24, Homi Mody Street, Fort, Mumbai 400 001.

**DECLARATION**

I Homi R. Khusrokhhan, Managing Director of Tata Chemicals Limited, hereby declare that all the members of the Board of Directors and the Senior Management personnel have affirmed compliance with the Code of Conduct, for the year ended March 31, 2007.

For Tata Chemicals Limited

Mumbai  
May 30, 2007

Homi R. Khusrokhhan  
Managing Director

**CERTIFICATE****TO THE MEMBERS OF  
TATA CHEMICALS LIMITED**

We have examined the compliance of conditions of Corporate Governance by **Tata Chemicals Limited** (the Company), for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

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

For S.B.BILLIMORIA & CO.  
Chartered Accountants

N. VENKATRAM  
Partner

Mumbai  
May 30, 2007

For N.M.RAJI & CO.  
Chartered Accountants

J.M. GANDHI  
Partner



## Summarised Balance Sheet

	As at 31-Mar-07 Rs. in crores	As at 31-Mar-06 Rs. in crores
<b>WHAT THE COMPANY OWNED:</b>		
<b>1. Fixed Assets</b>		
Gross Block (Original cost including Capital Work-in -Progress) .....	<b>3,326.57</b>	3,228.99
Less: Depreciation and Impairment .....	<b>1,811.83</b>	1,678.02
Net Block .....	<b>1,514.74</b>	1,550.97
<b>2. Investments</b> .....	<b>1,350.28</b>	713.74
<b>3. Net Current Assets</b> .....	<b>857.11</b>	1,673.41
<b>4. Miscellaneous Expenditure</b> .....	<b>3.70</b>	7.02
<b>5. Total</b> .....	<b>3,725.83</b>	3,945.14
<b>WHAT THE COMPANY OWED:</b>		
<b>1. Loans</b> .....	<b>1,041.77</b>	1,454.49
<b>2. Net Worth</b> .....	<b>2,392.84</b>	2,167.70
Represented by		
(a) <b>Share Capital</b> ..... <b>Rs. 215.16 crores</b> (Previous year Rs.215.16 crores)		
(b) <b>Reserves</b> ..... <b>Rs. 2,177.68 crores</b> (Previous year Rs.1952.54 crores)		
<b>3. Deferred Tax Liability (net)</b> .....	<b>291.22</b>	322.95
<b>4. Total</b> .....	<b>3,725.83</b>	3,945.14

## Summarised Profit and Loss Account

	2006-07 Rs. in crores	2005-06 Rs. in crores
<b>1. Income</b>		
Sales and operating Income (net) .....	<b>3,990.99</b>	3,518.59
Other Income .....	<b>97.75</b>	83.35
<b>Total</b> .....	<b>4,088.74</b>	3,601.94
<b>2. Expenditure</b>		
Raw materials, stores, wages and other expenses .....	<b>3,300.39</b>	2,920.51
Employee separation compensation amortised .....	<b>3.89</b>	4.69
Depreciation .....	<b>150.35</b>	138.93
Borrowing costs (net) .....	<b>0.27</b>	26.94
<b>Total</b> .....	<b>3,454.90</b>	3,091.07
<b>3. Profit before tax</b> .....	<b>633.84</b>	510.87
<b>4. Taxes</b> .....	<b>189.63</b>	157.84
<b>5. Profit after tax</b> .....	<b>444.21</b>	353.03
<b>6. Balance brought forward</b> .....	<b>769.19</b>	623.85
<b>7. Amount available for Appropriations</b> .....	<b>1,213.40</b>	976.88
<b>8. Appropriations</b>		
(a) Proposed Dividend .....	<b>172.08</b>	150.57
(b) Tax on Dividends .....	<b>29.25</b>	21.12
(c) General Reserve .....	<b>45.00</b>	36.00
(d) Balance carried to Balance Sheet .....	<b>967.07</b>	769.19
<b>Total</b> .....	<b>1,213.40</b>	976.88

**Tata Chemicals Limited****AUDITORS' REPORT****TO THE MEMBERS OF  
TATA CHEMICALS LIMITED**

1. We have audited the attached Balance Sheet of **TATA CHEMICALS LIMITED** as at 31st March, 2007, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India, in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) 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;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) on the basis of written representations received from the directors, as on 31st March, 2007, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
    - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S. B. BILLIMORIA & CO.  
Chartered Accountants

N. VENKATRAM  
Partner  
Membership No.: 71387

Mumbai, 30th May, 2007.

For N. M. RAIJI & CO.  
Chartered Accountants

J. M. GANDHI  
Partner  
Membership No.: 37924

**ANNEXURE TO THE AUDITORS' REPORT**  
**(Referred to in Paragraph 3 of our Report of even date)**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) According to the information and explanations given to us, the fixed assets were physically verified during the year by the management in accordance with the programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on physical verification were not material and have been properly dealt with in the books of account.
- (c) There was no disposal of a substantial part of fixed assets.
- (ii) (a) The stocks of semi finished and finished goods, work in progress and raw materials have been physically verified during the year by the Management. The Company has a perpetual inventory system in respect of stores and spare parts. In our opinion, the frequency of verification is reasonable. In the case of materials lying with third parties, certificates confirming stocks have been received in respect of a substantial portion of the stocks held.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the size of the operations of the Company and have been properly dealt with in the books of account.
- (iii) (a) According to the information and explanations given to us, during the year the Company has granted unsecured loans to a wholly owned subsidiary company covered in the register maintained under Section 301 of the Companies Act, 1956. The balance as on 31 March, 2007 was Rs. 424.36 crores and maximum amount outstanding during the year was Rs. 651.76 crores.
- (b) According to the information and explanations given to us and in our opinion, the terms and conditions on which loans have been given to the Company listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (c) The Company to whom loans have been granted, as referred to in (a) above, was regular in the payment of principal and interest as per agreed terms.
- (d) In respect of the aforesaid loans, there are no overdue amounts.
- (e) According to information and explanations given to us, the Company has during the year not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (f) and (iii) (g) of paragraph 4 of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventories and fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any major weakness in the internal controls.
- (v) To the best of our knowledge and belief, and according to the information and explanations given to us, we are of the opinion that there are no contracts and arrangements, the particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public during the year covered by our audit report. In respect of unclaimed deposits

**Tata Chemicals Limited**

matured in the earlier years, that are outstanding during the year, the Company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. To the best of our knowledge and according to the information and explanations given to us, no order on the Company under the aforesaid section has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has prescribed under Section 209(1)(d) of the Companies Act, 1956, the maintenance of cost records in respect of certain products manufactured by the Company viz., Cement, Caustic Soda, Soda Ash, Methyl Bromide, Ammonia, Urea, Di-ammonium Phosphate, Nitrogen Phosphorous Potash, Single Super Phosphate and Sodium Tripolyphosphate. We have broadly reviewed the books of account maintained and in our opinion, the prescribed accounts and records have *prima facie* been made and maintained by the Company. 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 provided to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, applicable to it. As explained to us, no undisputed amounts payable were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the details of statutory dues of sales tax, income tax, custom duty and excise duty which have not been deposited on account of dispute are given below:

Particulars matter pertains	Financial years to which the	Forum where dispute is pending	Amount (Rs. in crores)
Sales Tax (Central and State) and Value Added Tax	1997-2001	High Court	7.48
	1989-90, 1991-93, 1994-97, 1998-99, 2001-02	Tribunal	5.43
	1994 - 2005	Appellate authority upto Commissioner's level	45.60
Custom Duty	1992-93	Supreme Court	3.96
	1987-88, 1992-93, 2001-02	Appellate authority upto Commissioner's level	0.19
Excise Duty	1978-79, 1982-85	Supreme Court	0.03
	1985-88, 1989-90, 1990-95, 1997-2000	Tribunal	2.18
	1974-80, 1994-2000, 2001-02	Appellate authority upto Commissioner's level	31.65

- (x) The Company does not have accumulated losses and has not incurred cash losses during the financial year and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in shares, securities and debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.
- (xv) 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.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised except for amounts temporarily invested pending utilization of the funds for the stated use.
- (xvii) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been utilized for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report. Accordingly, the provisions of clause (xix) of the Order are not applicable to the Company.
- (xx) During the period covered by our Audit report, the Company has not raised any money by way of a public issue.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For S. B. BILLIMORIA & CO.  
Chartered Accountants

N. VENKATRAM  
Partner  
Membership No.: 71387  
Mumbai, 30th May, 2007.

For N. M. RAIJI & CO.  
Chartered Accountants

J. M. GANDHI  
Partner  
Membership No.: 37924

**Tata Chemicals Limited**
**Balance Sheet as at 31st March, 2007**

	Schedule	Page	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
<b>SOURCES OF FUNDS</b>					
1. SHAREHOLDERS' FUNDS					
(a) Share Capital .....	A	62	<b>215.16</b>		215.16
(b) Reserves and Surplus .....	B	62	<b>2,177.68</b>		1,952.54
				<b>2,392.84</b>	2,167.70
2. LOAN FUNDS					
(a) Secured .....	C	63	<b>60.63</b>		160.43
(b) Unsecured .....	D	63	<b>981.14</b>		1,294.06
				<b>1,041.77</b>	1,454.49
3. DEFERRED TAX LIABILITY (net) .....				<b>291.22</b>	322.95
[Note 5, page 77]					
4. TOTAL .....				<b>3,725.83</b>	3,945.14
<b>APPLICATION OF FUNDS</b>					
5. FIXED ASSETS .....	E	64			
(a) Gross Block .....			<b>3,219.35</b>		3,142.22
(b) Less : Depreciation and Impairment ..			<b>1,811.83</b>		1,678.02
(c) Net Block .....			<b>1,407.52</b>		1,464.20
(d) Capital Work-in-Progress .....			<b>107.22</b>		86.77
				<b>1,514.74</b>	1,550.97
6. INVESTMENTS .....	F	65		<b>1,350.28</b>	713.74
7. CURRENT ASSETS, LOANS AND ADVANCES					
(a) Inventories .....	G	70	<b>506.48</b>		560.82
(b) Sundry Debtors .....	H	70	<b>668.55</b>		601.35
(c) Cash and Bank Balances .....	I	70	<b>94.48</b>		46.06
(d) Loans and Advances .....	J	70	<b>622.45</b>		1,257.94
			<b>1,891.96</b>		2,466.17
8. CURRENT LIABILITIES AND PROVISIONS					
(a) Current Liabilities .....	K	71	<b>655.04</b>		465.40
(b) Provisions .....	L	71	<b>379.81</b>		327.36
			<b>1,034.85</b>		792.76
9. NET CURRENT ASSETS ( 7-8 ) .....				<b>857.11</b>	1,673.41
10. MISCELLANEOUS EXPENDITURE .....	M	71		<b>3.70</b>	7.02
11. TOTAL .....				<b>3,725.83</b>	3,945.14
12. Notes on the Balance Sheet and Profit and Loss Account .....	N	72			

As per our report attached

For and on behalf of the Board

 For S. B. BILLIMORIA & CO.  
Chartered Accountants,

 For N. M. RAIJI & CO.  
Chartered Accountants,

R. N. TATA

Chairman

R. GOPALAKRISHNAN

Vice-Chairman

H. R. KHUSROKHAN

Managing Director

 N. VENKATRAM  
Partner.

 J. M. GANDHI  
Partner.

P. K. GHOSE

Chief Financial Officer

S. D. JAIN

Company Secretary

Mumbai, 30th May, 2007

Mumbai, 30th May, 2007

## Profit and Loss Account for the year ended 31st March, 2007

	Schedule	Page	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>INCOME</b>					
1. Sales and Operating Income .....	1	58	<b>4,152.43</b>		3,653.97
Less : Excise Duty .....			<b>161.44</b>		135.38
Sales and Operating Income (net) .....				<b>3,990.99</b>	3,518.59
2. Other Income .....	2	58		<b>97.75</b>	83.35
3. TOTAL INCOME .....				<b>4,088.74</b>	3,601.94
<b>EXPENDITURE</b>					
4. Manufacturing and Other Expenses .....	3	59	<b>3,300.39</b>		2,920.51
5. Employee Separation Compensation Amortised .....			<b>3.89</b>		4.69
6. Borrowing Costs (net) .....	4	60	<b>0.27</b>		26.94
			<b>3,304.55</b>		2,952.14
7. Depreciation .....			<b>150.35</b>		138.93
8. TOTAL EXPENDITURE .....				<b>3,454.90</b>	3,091.07
<b>PROFIT BEFORE TAX</b> .....				<b>633.84</b>	510.87
<b>9. PROVISION FOR TAX</b>					
(a) Current .....			<b>210.76</b>		182.75
(b) Deferred .....			<b>(26.18)</b>		(30.43)
(c) Fringe Benefit Tax .....			<b>5.05</b>		5.52
				<b>189.63</b>	157.84
<b>PROFIT AFTER TAX</b> .....				<b>444.21</b>	353.03
10. BALANCE BROUGHT FORWARD .....				<b>769.19</b>	623.85
<b>11. AMOUNT AVAILABLE FOR APPROPRIATIONS</b>					
12. APPROPRIATIONS :					
(a) Proposed Dividend .....				<b>172.08</b>	150.57
(b) Tax on Dividend .....				<b>29.25</b>	21.12
(c) General Reserve .....				<b>45.00</b>	36.00
(d) Balance carried to Balance Sheet .....				<b>967.07</b>	769.19
				<b>1,213.40</b>	976.88
13. EARNINGS PER SHARE (Rupees) .....	(a)	Basic		<b>20.65</b>	16.41
[Note 3, Page 75] .....	(b)	Diluted		<b>18.31</b>	14.71
14. Notes on the Balance Sheet and Profit and Loss Account .....	N	72			

As per our report attached

For and on behalf of the Board

For S. B. BILLIMORIA & CO.  
Chartered Accountants,

For N. M. RAIJI & CO.  
Chartered Accountants,

R. N. TATA

Chairman

R. GOPALAKRISHNAN

Vice-Chairman

H. R. KHUSROKHAN

Managing Director

N. VENKATRAM  
Partner.

J. M. GANDHI  
Partner.

P. K. GHOSE

Chief Financial Officer

S. D. JAIN

Company Secretary

Mumbai, 30th May, 2007

Mumbai, 30th May, 2007

**Tata Chemicals Limited**
**Cash Flow Statement for the year ended 31st March, 2007**

	Rupees in crores 2006-07	Rupees in crores 2005-06
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax .....	<b>633.84</b>	510.87
Adjustments for :		
Foreign exchange (gain) / loss .....	<b>(25.01)</b>	13.35
Employee separation compensation .....	<b>3.89</b>	4.69
Depreciation .....	<b>150.35</b>	138.93
Interest expense - (net) .....	<b>8.23</b>	10.89
Profit on sale of investments - (net) .....	<b>(3.21)</b>	(4.23)
Investment income .....	<b>(91.95)</b>	(53.55)
Provision for doubtful debts and advances .....	<b>(3.76)</b>	(2.77)
Reduction in carrying cost of current investments .....	<b>0.89</b>	-
Lease rent charged .....	<b>3.01</b>	2.96
Loss on assets sold or discarded .....	<b>4.66</b>	4.84
<b>Operating Profit before Working Capital Changes .....</b>	<b>680.94</b>	625.98
Adjustments for :		
Trade and other receivables .....	<b>(62.94)</b>	(190.52)
Inventories .....	<b>54.34</b>	(72.18)
Trade payables and other liabilities .....	<b>201.15</b>	(19.62)
Payment towards employee separation compensation .....	<b>(1.28)</b>	(11.05)
<b>Cash Generated from Operations .....</b>	<b>872.21</b>	332.61
Taxes paid .....	<b>(192.19)</b>	(86.31)
<b>Net Cash from Operating Activities .....</b>	<b>680.02</b>	246.30
<b>B. Cash Flow from Investing Activities</b>		
Acquisition of fixed assets .....	<b>(119.64)</b>	(132.55)
Sale of fixed assets .....	<b>0.86</b>	0.20
Purchase of current investments - (net) .....	<b>(227.89)</b>	410.41
Purchase of other investments .....	<b>(2.71)</b>	(181.18)
Sale of other investments .....	<b>5.14</b>	-
Investment in / advance to Subsidiary .....	-	(1,040.63)
Proceeds from Subsidiary .....	<b>229.10</b>	-
Interest received .....	<b>8.63</b>	15.11
Dividend received .....	<b>90.58</b>	51.95
<b>Net Cash used in Investing Activities .....</b>	<b>(15.93)</b>	(876.69)



### Cash Flow Statement for the year ended 31st March, 2007 (Contd.)

	Rupees in crores	Rupees in crores
<b>C. Cash Flow from Financing Activities</b>		
Repayment of borrowings .....	(399.03)	(42.95)
Proceeds of borrowings .....	3.42	159.87
Interest paid .....	(45.50)	(30.23)
Lease rent paid .....	(2.99)	(2.98)
Dividends paid including distribution tax .....	(171.57)	(158.93)
<b>Net Cash used in Financing Activities .....</b>	<b>(615.67)</b>	<b>(75.22)</b>
Net Increase/ (Decrease) in Cash and Cash equivalents .....	48.42	(705.61)
Cash and Cash equivalents as at 1st April (Opening Balance) .....	46.06	751.67
Cash and Cash equivalents as at 31st March (Closing Balance) .....	<b>94.48</b>	46.06

As per our report attached

For S. B. BILLIMORIA & CO.  
*Chartered Accountants,*

N. VENKATRAM  
*Partner.*

Mumbai, 30th May, 2007

For N. M. RAIJI & CO.  
*Chartered Accountants,*

J. M. GANDHI  
*Partner.*

R. N. TATA

R. GOPALAKRISHNAN

H. R. KHUSROKHAN

P. K. GHOSE

S. D. JAIN

For and on behalf of the Board

*Chairman*

*Vice-Chairman*

*Managing Director*

*Chief Financial Officer*

*Company Secretary*

Mumbai, 30th May, 2007

**Tata Chemicals Limited**
**Schedules forming part of the Profit and Loss Account**
**Schedule 1 : Sales and Operating Income**

[Item No.1, page 55]

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>1. Sales and services:</b>			
(a) Sales .....	4,097.66		3,603.14
(b) Processing charges .....	9.42		35.09
(Tax deducted at source <b>Rs.0.18 crore</b> ; previous year Rs.0.77 crore)		<u>4,107.08</u>	<u>3,638.23</u>
<b>2. Operating income:</b>			
(a) Town income .....	1.49		1.35
(Tax deducted at source <b>Rs 0.01 crore</b> ; previous year Rs. 0.03 crore)			
(b) Liabilities no longer required - written back .....	16.94		-
(c) Insurance claims .....	4.87		0.07
(d) Miscellaneous income .....	22.05		14.32
(Tax deducted at source <b>Rs.0.08 crore</b> ; previous year Rs. 2.06 crores)		<u>45.35</u>	<u>15.74</u>
		<u><b>4,152.43</b></u>	<u><b>3,653.97</b></u>

**Schedule 2 : Other Income**

[Item No.2, page 55]

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>1. Income from Long Term Trade Investments (Gross):</b>			
(a) Dividend income .....	64.60		27.22
(b) Profit on sale of investments .....	2.42		-
		<u>67.02</u>	<u>27.22</u>
<b>2. Income from Current Investments :</b>			
(a) Dividend income .....	25.98		24.73
(b) Interest income .....	1.37		1.60
(c) Profit / (Loss) on sale of investments (net) .....	0.79		4.23
(d) Changes in carrying amount of current investments .....	(0.89)		-
		<u>27.25</u>	<u>30.56</u>
<b>3. Interest on Refund of Taxes .....</b>		<u>3.48</u>	<u>25.57</u>
		<u><b>97.75</b></u>	<u><b>83.35</b></u>

## Schedules forming part of the Profit and Loss Account (Contd.)

### Schedule 3 : Manufacturing and Other Expenses

[Item No.4, page 55]

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>1. Raw materials consumed:</b>			
(a) Stock on 1st April, 2006 .....	241.60		243.83
(b) Add : Purchases and cost of materials .....	1,564.45		1,393.55
	<b>1,806.05</b>		1,637.38
(c) Less : Stock on 31st March, 2007 .....	196.80		241.60
		<b>1,609.25</b>	1,395.78
<b>2. Cost of traded goods purchased .....</b>		<b>390.50</b>	457.70
<b>3. Payments to and provisions for employees:</b>			
(a) Wages and salaries (including bonus) .....	113.61		93.28
(b) Company's contribution to provident, superannuation and gratuity funds .....	17.71		13.82
(c) Company's contribution under group insurance scheme .....	0.03		0.02
(d) Workmen and staff welfare expenditure .....	17.63		14.75
		<b>148.98</b>	121.87
<b>4. Operation and other expenses:</b>			
(a) Stores and spare parts consumed .....	62.60		85.30
(b) Packing material consumed .....	118.11		107.56
(c) Power and fuel .....	392.24		320.83
(d) Repairs - Building .....	3.09		2.59
- Machinery .....	36.39		37.39
- Others .....	0.98		0.84
(e) Rent .....	16.80		13.74
(f) Royalty, rates and taxes .....	8.93		5.93
(g) Excise duty adjustment for stocks .....	(1.03)		4.92
(h) Commission and distributors' service charges / discount .....	51.10		66.79
(i) Sales promotion expenses .....	36.72		44.01
(j) Insurance charges .....	11.51		10.25
(k) Freight and forwarding charges .....	274.26		225.39
(l) Lease rent .....	3.01		2.96
(m) Loss on assets sold or discarded (net) .....	4.66		4.84
(n) Provision for doubtful debts and advances - written back (net) ...	(3.76)		(2.77)
(o) Other expenses .....	125.43		101.06
	<b>1,141.04</b>		1,031.63
Less: Expenditure transferred to capital account .....	0.09		1.23
		<b>1,140.95</b>	1,030.40
<b>5. Directors' fees / commission .....</b>		<b>2.54</b>	2.20
		<b>3,292.22</b>	3,007.95
<b>6. Change in inventory of semi finished and finished products and work-in-process:</b>			
(a) Opening Stock .....	234.91		147.47
(b) Less : Closing Stock .....	226.74		234.91
		<b>8.17</b>	(87.44)
		<b>3,300.39</b>	2,920.51

**Tata Chemicals Limited**
**Schedules forming part of the Profit and Loss Account (Contd.)**
**Schedule 4 : Borrowing Costs (net)**

[Item No.6, page 55]

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>1. Interest paid on:</b>			
(a) Debentures and fixed loans .....	12.80		12.12
(b) Other loans .....	29.93		24.71
		<b>42.73</b>	<b>36.83</b>
<b>2. Interest received on:</b>			
(Tax deducted at source Nil; previous year Rs.0.32 crore)			
(a) Inter-corporate loans and bank deposits .....	0.01		11.85
(b) Loan to subsidiary .....	35.49		12.15
(c) Other advances .....	0.88		1.94
		<b>36.38</b>	<b>25.94</b>
Net Interest Cost (1-2) .....		<b>6.35</b>	10.89
<b>3. Discounting charges .....</b>		<b>1.88</b>	-
<b>4. Foreign exchange (gain) / loss .....</b>		<b>(7.96)</b>	16.05
		<b>0.27</b>	<b>26.94</b>

**Schedule 5 :**
**Computation of net profit in accordance with Section 349 of the Companies Act, 1956 for remuneration to Directors.**

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
1. Profit as per Profit and Loss Account (before taxes) .....		<b>633.84</b>	510.87
Add / (Less) :			
2. Directors' remuneration, commission and fees .....	3.65		3.47
3. Provision for doubtful debts and advances .....	(3.76)		(2.77)
4. Profit on sale of investments (net) .....	(3.21)		(4.23)
5. Liabilities no longer required - written back .....	(16.94)		-
6. Provision for diminution in the carrying value of current investments	0.89		-
		<b>(19.37)</b>	<b>(3.53)</b>
7. Net Profit in accordance with Section 349 of the Companies Act, 1956		<b>614.47</b>	507.34
8. Maximum amount permissible for the Managing Director and Whole-time Director under Section 309 of the Companies Act, 1956 .....		<b>47.37</b>	50.73
9. Commission to Managing Director and Whole-time Director .....		<b>1.25</b>	1.30
10. Commission to non Whole-time Directors (maximum permissible 1%)		<b>6.14</b>	5.07
11. Commission to non Whole-time Directors .....		<b>1.20</b>	0.80

## Schedules forming part of the Profit and Loss Account (Contd.)

Notes on the Profit and Loss Account	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>1. Item 2(d) of Schedule 1</b>			
Miscellaneous income <b>Rs. 22.05 crores</b> (previous year Rs. 14.32 crores)			
includes :			
Exchange gain on foreign currency transactions (net) .....		<b>5.96</b>	1.11
		<u>5.96</u>	<u>1.11</u>
<b>2. Items 3,4 and 5 of Schedule 3</b>			
Payments to and provisions for employees, operation and other expenses and Directors' fees / commission includes remuneration to Managing Director and Whole - time director :			
(a) Remuneration (including Company's contribution to provident fund and superannuation fund)		<b>0.81</b>	0.91
(b) Commission .....		<b>1.25</b>	1.30
(for computation see Schedule 5, page 60)			
(c) Estimated value of benefits in cash or in kind .....		<b>0.30</b>	0.36
		<u>0.30</u>	<u>0.36</u>
		<b>2.36</b>	2.57
		<u>2.36</u>	<u>2.57</u>
Note:- The above figures do not include contribution to gratuity fund, as separate figures are not available for the Managing Director and Whole -time Director			
<b>3. Item 4(o) of Schedule 3</b>			
Other expenses <b>Rs. 125.43 crores</b> (previous year Rs.101.06 crores) include:			
(a) Auditors' Remuneration			
(i) For Services as Auditors [includes <b>Rs.0.05 crore</b> to Cost Auditors (previous year Rs.0.03 crore)]		<b>0.83</b>	0.59
(ii) For tax matters - Tax Audit .....		<b>0.17</b>	0.17
(iii) For other services .....		<b>0.43</b>	0.45
(iv) Reimbursement of travelling and out-of-pocket expenses		<b>0.04</b>	0.01
		<u>0.04</u>	<u>0.01</u>
		<b>1.47</b>	1.22
(b) Donations .....		<b>1.30</b>	2.13
		<u>1.30</u>	<u>2.13</u>

**Tata Chemicals Limited**
**Schedules forming part of the Balance Sheet**

Schedule A : Share Capital [Item No.1(a), page 54]	Rupees in crores	As at 31-Mar-06 Rupees in crores
<b>1. Authorised:</b> 27,00,00,000 Ordinary Shares of Rs.10 each ..... (previous year 27,00,00,000 Ordinary Shares of Rs.10 each)	<b>270.00</b>	270.00
<b>2. Issued:</b> 21,51,88,971 Ordinary Shares of Rs.10 each ..... (previous year 21,51,88,971 Ordinary Shares of Rs.10 each)	<b>215.18</b>	215.18
<b>3. Subscribed:</b> 21,51,02,651 Ordinary Shares of Rs.10 each ..... (previous year 21,51,02,651 Ordinary Shares of Rs.10 each) Of the above Shares : (i) 37,000 Ordinary Shares of Rs.10 each were allotted as fully paid-up pursuant to a contract without payment being received in cash. (ii) 10,54,02,144 Ordinary Shares of Rs.10 each were issued as fully paid-up Bonus Shares by capitalisation of Rs.92.97 crores from Securities Premium Account and Rs. 12.43 crores from General Reserve. (iii) 42,49,864 Ordinary Shares of Rs.10 each allotted as fully paid-up to the Shareholders of Tata Fertilisers Ltd., pursuant to the Scheme of Amalgamation. (iv) 3,44,64,000 Ordinary Shares of Rs. 10 each issued as fully paid-up to the Shareholders of Hind Lever Chemicals Limited as per the Scheme of Amalgamation	<b>215.10</b>	215.10
<b>4. Forfeited Shares:</b> Amount paid-up on 86,320 shares ..... (previous year 86,320 Shares)	<b>0.06</b>	0.06
	<b>215.16</b>	215.16

Schedule B : Reserves and Surplus [Item No.1(b), page 54]	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
<b>1. Capital reserve:</b> Balance as per last account .....		<b>0.66</b>	0.66
<b>2. Capital redemption reserve:</b> Balance as per last account .....		<b>0.10</b>	0.10
<b>3. Surplus on amalgamation:</b> Balance as per last account .....		<b>20.75</b>	20.75
<b>4. Securities premium:</b> (a) Balance as per last account .....	<b>178.32</b>		181.11
(b) Add / (Less) : Provision for premium on redemption of FCCBs [Note 11(b), page 80] .....	<b>3.57</b>		(2.79)
		<b>181.89</b>	178.32
<b>5. Foreign currency translation reserve:</b> (a) Balance as per last account .....	<b>(8.69)</b>		-
(b) Add : Adjustment during the period .....	<b>(10.38)</b>		(8.69)
		<b>(19.07)</b>	(8.69)
<b>6. General reserve:</b> (a) Balance as per last account .....	<b>746.75</b>		710.75
(b) Less : Employee benefits [ Note 8(i), page 77 ] .....	<b>(10.93)</b>		-
(c) Add : Transferred from Profit and Loss Account .....	<b>45.00</b>		36.00
		<b>780.82</b>	746.75
<b>7. Debenture redemption reserve:</b> Balance as per last account .....		<b>245.46</b>	245.46
<b>8. Balance in Profit and Loss Account .....</b>		<b>967.07</b>	769.19
		<b>2,177.68</b>	1,952.54

### Schedules forming part of the Balance Sheet (Contd.)

<b>Schedule C : Loans - Secured</b> [Item No.2(a), page 54]	<b>Rupees in crores</b>	<b>Rupees in crores</b>	As at 31-Mar-06 Rupees in crores
1 From Banks :			
(a) Cash Credits	<b>27.30</b>		23.88
(b) Term Loans	-		89.24
		<b>27.30</b>	113.12
2 From Financial Institutions - Term Loans		<b>33.33</b>	47.31
		<b>60.63</b>	<b>160.43</b>

Amount repayable within one year **Rs.12.70 crores** (previous year Rs. 103.22 crores) excluding Cash Credit

**Notes :**

- (a) Loans from Banks on Cash Credit accounts under item 1(a) are secured by hypothecation of stocks of raw materials, finished products, stores and work-in-process as well as book debts.
- (b) Item 2 represents Rs. 33.33 crores being interest - free loan under Sales Tax Deferment Scheme from Pradeshiya Industrial and Investment Corporation of Uttar Pradesh, which is secured by second charge on the Company's properties at Babrala.

**Schedule D : Loans - Unsecured**  
[Item No.2(b), page 54]

	<b>Rupees in crores</b>	As at 31-Mar-06 Rupees in crores
1 Foreign Currency Convertible Bonds [Note 11, page 80]	<b>652.20</b>	669.30
2 Short Term Loans from Banks (Repayable within one year)	<b>328.94</b>	624.76
	<b>981.14</b>	1,294.06

**Tata Chemicals Limited**
**Schedules forming part of the Balance Sheet (Contd.)**
**Schedule E : Fixed Assets**

[Item No.5, page 54]

Rupees in crores

Fixed Assets (At Cost)	Gross Block as at 31-Mar-06	Additions / Adjustments	Deductions / Adjustments	Gross Block as at 31-Mar-07	Depreciation for 2006-07	Total Depreciation 31-Mar-07	Impairment	Net Block as at 31-Mar-07
<b>1. Land :</b>								
(a) Freehold .....	<b>8.04</b>	<b>0.48</b>	<b>0.28</b>	<b>8.24</b>	-	-	<b>0.16</b>	<b>8.08</b>
	7.58	0.46	-	8.04	-	-	0.16	7.88
(b) Leasehold .....	<b>15.02</b>	-	-	<b>15.02</b>	<b>0.17</b>	<b>2.80</b>	-	<b>12.22</b>
	15.02	-	-	15.02	0.16	2.63	-	12.39
<b>2. Works :</b>								
(a) Saltworks, Reservoirs and Pans .....	<b>32.95</b>	<b>4.66</b>	<b>2.49</b>	<b>35.12</b>	<b>6.17</b>	<b>27.72</b>	-	<b>7.40</b>
	26.26	6.69	-	32.95	1.61	24.00	-	8.95
(b) Plant and Machinery .....	<b>2,624.12</b>	<b>66.65</b>	<b>11.32</b>	<b>2,679.45</b>	<b>126.45</b>	<b>1,511.80</b>	<b>96.36</b>	<b>1,071.29</b>
	2,557.94	79.48	13.30	2,624.12	123.76	1,392.71	96.36	1,135.05
(c) Traction Lines and Railway Sidings .....	<b>21.91</b>	-	-	<b>21.91</b>	<b>0.84</b>	<b>14.83</b>	<b>0.28</b>	<b>6.80</b>
	21.83	0.08	-	21.91	0.82	13.99	0.28	7.64
(d) Buildings .....	<b>196.63</b>	<b>16.82</b>	<b>0.74</b>	<b>212.71</b>	<b>6.53</b>	<b>64.97</b>	<b>8.85</b>	<b>138.89</b>
	191.51	5.14	0.02	196.63	5.95	58.80	8.85	128.98
<b>3. Town # .....</b>	<b>165.26</b>	<b>1.87</b>	-	<b>167.13</b>	<b>2.81</b>	<b>33.31</b>	-	<b>133.82</b>
	164.47	0.79	-	165.26	2.83	30.54	-	134.72
<b>4. Water Works .....</b>	<b>8.31</b>	-	<b>0.48</b>	<b>7.83</b>	<b>0.13</b>	<b>6.67</b>	-	<b>1.16</b>
	8.31	-	-	8.31	0.13	6.97	-	1.34
<b>5. Furniture, Fitting and Office Equipment .....</b>	<b>47.91</b>	<b>6.73</b>	<b>1.27</b>	<b>53.37</b>	<b>4.26</b>	<b>30.75</b>	<b>0.10</b>	<b>22.52</b>
	44.41	4.94	1.44	47.91	2.77	27.89	0.10	19.92
<b>6. Vehicles .....</b>	<b>22.07</b>	<b>1.98</b>	<b>5.48</b>	<b>18.57</b>	<b>2.99</b>	<b>13.12</b>	<b>0.11</b>	<b>5.34</b>
	26.37	2.40	6.70	22.07	0.90	14.63	0.11	7.33
<b>Total .....</b>	<b>3,142.22</b>	<b>99.19</b>	<b>22.06</b>	<b>3,219.35</b>	<b>150.35</b>	<b>1,705.97</b>	<b>105.86</b>	<b>1,407.52</b>
	3,063.70	99.98	21.46	3,142.22	138.93	1,572.16	105.86	1,464.20
<b>Capital Work-in-progress .....</b>				<b>107.22</b>	-	-	-	<b>107.22</b>
(including advances for Capital Expenditure)				86.77	-	-	-	86.77
				<b>3,326.57</b>	<b>150.35</b>	<b>1,705.97</b>	<b>105.86</b>	<b>1,514.74</b>
				3,228.99	138.93	1,572.16 ##	105.86	1,550.97

 NOTES : 1. ## Depreciation provided upto 31 March, 2006  
 Less : Adjustment in respect of assets sold or discarded

Add : Provision for the year

<b>1,572.16</b>
<b>16.54</b>
<b>1,555.62</b>
<b>150.35</b>
<b>1,705.97</b>

2. # Includes cost of residential flats aggregating to Rs.1.87 crores for which legal formalities relating to transfer of title are pending.  
 3 The figures in light print are for previous year.



### Schedules forming part of the Balance Sheet (Contd.)

Schedule F : Investments [Item No.6, page 54]	Face Value Rupees	Holdings as at 31-Mar-07	Rupees in crores	Rupees in crores	Holdings as at 31-Mar-06	Rupees in crores
<b>A. LONG TERM INVESTMENTS</b>						
<b>Trade Investments :</b>						
<b>In Shares and Debentures of Companies :</b>						
<b>1. Fully paid Ordinary/Equity Shares (Quoted):</b>						
Indian Hotels Limited. (Face value of shares split from Rs.10 to Re.1 per share ) .....	1	60,09,640	<b>0.99</b>		6,00,964	0.99
Madras Fertilisers Limited .....	10	3,30,000	<b>0.49</b>		3,30,000	0.49
Oriental Hotels Limited .....	10	4,32,328	<b>4.79</b>		4,32,328	4.79
Rallis India Limited .....	10	11,26,518	<b>19.06</b>		11,26,518	19.06
Tata Consultancy Services Limited. (11,53,775 Bonus shares received during the year) .....	1	23,07,550	<b>0.14</b>		11,53,775	0.14
Tata Investment Corporation Limited .....	10	52,97,400	<b>10.34</b>		52,97,400	10.34
Tata Steel Limited .....	10	31,09,302	<b>50.26</b>		31,09,302	50.26
Tata Motors Limited .....	10	6,03,207	<b>11.47</b>		6,03,207	11.47
Tata Tea Limited .....	10	43,17,514	<b>16.09</b>		43,17,514	16.09
Titan Industries Limited. (71,529 Right shares allotted during the year) .....	10	15,02,109	<b>22.39</b>		14,30,580	19.68
				<b>136.02</b>		<b>133.31</b>
<b>2. Investment in Subsidiary Companies: Fully paid Ordinary/Equity Shares (Unquoted):</b>						
Homefield International Pvt Limited.-Mauritius (9,00,15,901 shares allotted during the year) .....	MRU 1	9,00,16,001	<b>408.76</b>		100	*
<b>3. Investment in Joint Venture: .....</b>						
<b>Fully paid Ordinary/Equity Shares (Unquoted):</b>						
Indo Maroc Phosphore, S.A. - Morocco ... MAD1,000		2,06,666	<b>166.26</b>		2,06,666	166.26
				<b>166.26</b>		<b>166.26</b>
<b>4. Fully paid Ordinary/Equity Shares (Unquoted) in Others:</b>						
Taj Air Limited .....	10	40,00,000	<b>4.00</b>		40,00,000	4.00
Tata Industries Limited .....	100	65,74,202	<b>79.79</b>		65,74,202	79.79
Tata International Limited .....	1,000	24,000	<b>3.35</b>		24,000	3.35
Tata Projects Limited .....	100	32,250	<b>0.38</b>		32,250	0.38
Tata Services Limited .....	1,000	1,260	<b>0.13</b>		1,260	0.13
Tata Sons Limited .....	1,000	10,237	<b>56.86</b>		10,237	56.86
Tata Teleservices Limited # .....	10	25,13,039	<b>2.66</b>		25,13,039	2.66
The Associated Building Co.Limited ...	900	550	<b>0.02</b>		550	0.02
				<b>147.19</b>		<b>147.19</b>
<b>5. Fully paid Cumulative Redeemable Preference Shares (Unquoted) in Others:</b>						
7.5% Rallis India Limited .....	10	2,50,00,000	<b>25.00</b>		2,50,00,000	25.00
6% Tata Sons Limited (redeemed during the year) .....	1,000	-	-		27,200	2.72
6% Tata Sons Limited .....	1,000	2,00,000	<b>20.00</b>		2,00,000	20.00
				<b>45.00</b>		<b>47.72</b>
<b>LONG TERM INVESTMENTS .....</b>						
Less: Provision for diminution in value of investments .....				<b>0.25</b>		0.25
<b>LONG TERM INVESTMENTS (net) .....</b>						
Investments carried forward .....				<b>902.98</b>		494.23
				<b>902.98</b>		494.23

**Tata Chemicals Limited**
**Schedules forming part of the Balance Sheet (Contd.)**

Schedule F : Investments [Item No.6, page 54]	Face Value Rupees	Holdings as at 31-Mar-07	Rupees in crores	Rupees in crores	Holdings as at 31-Mar-06	Rupees in crores
Investments brought forward .....				<b>902.98</b>		494.23
<b>B. CURRENT INVESTMENTS</b>						
<b>1. Quoted Equity Shares, Fully Paid :</b>						
Compuage Infocom Limited .....	10	9,756	*	*	9,756	*
<b>2. Unquoted Equity Shares, Fully Paid :</b>						
IFCI Venture Capital Funds Limited ....	10	2,50,000	<b>0.25</b>		2,50,000	0.25
Kowa Spinning Limited .....	10	60,000	*		60,000	*
				<b>0.25</b>		<b>0.25</b>
<b>3. Quoted Bonds/units : In Unit Trust of India</b>						
6.75% Tax free US 64 bonds (6,50,000 units purchased during the year) .....	100	9,04,705	<b>9.09</b>		2,54,705	2.55
6.6% Tax free - UTI Bonds .....	100	13,90,000	<b>14.46</b>		13,90,000	14.46
				<b>23.55</b>		<b>17.01</b>
<b>4. Unquoted units: In Unit Trust of India</b>						
- Mastershare .....	10	96,100	<b>0.09</b>		96,100	0.09
- UTI Balanced Fund (Erstwhile US 2002 merged with UTI Balanced Fund during the year) .....	10	35,806	<b>0.03</b>		56,496	0.03
				<b>0.12</b>		<b>0.12</b>
<b>5. In units of Mutual Funds (Unquoted) :</b>						
Birla Cash Plus Institutional Plan -Daily Dividend Reinvestment.....	10	-	-		4,06,86,404	40.76
(13,14,00,949 units purchased and 17,20,87,353 units sold during the year)						
Birla FTP - Quarterly Series 8 - Dividend (2,00,00,000 units purchased during the year)	10	2,00,00,000	<b>20.00</b>		-	-
Birla SunLife Cash Manager - I P - Daily Dividend Reinvestment.....	10	2,00,01,123	<b>20.01</b>		-	-
(4,81,07,277 units purchased and 2,81,06,154 units sold during the year)						
Canliquid Institutional Daily Dividend Reinvestment Plan .....	10	-	-		1,49,45,435	15.01
(1,39,96,638 units purchased and 2,89,42,073 units sold during the year)						
DSP Merrill Lynch Liquidity Fund - Daily Dividend .....	10	-	-		59,998	6.00
(3,10,922 units purchased and 3,70,920 units sold during the year)						
DWS FTF - Series 27 - Dividend .....	10	2,50,00,000	<b>25.00</b>		-	-
(2,50,00,000 units purchased during the year)						
HDFC MIP Long Term Plan - Growth ..	10	11,10,224	<b>1.50</b>		11,10,224	1.50
HDFC Multiple Yield Fund - 2005 (Dividend) (1,50,55,988 units sold during the year)	10	-	-		1,50,55,988	15.06
HDFC Multiple Yield Fund - Dividend (8,06,719 units purchased and 1,37,73,442 units sold during the year)	10	-	-		1,29,66,723	13.01
HDFC Cash Management Fund - Savings Plus - Dividend .....	10	1,69,37,201	<b>18.02</b>		-	-
(3,20,72,145 units purchased and 1,51,34,944 units sold during the year)						
HSBC Equitiy Fund (Dividend) .....	10	41,431	<b>0.12</b>		5,25,353	1.25
(41,431 units purchased and 5,25,353 units sold during the year)						
Current Investments carried forward.				<b>108.57</b>		109.97
Investments carried forward .....				<b>1,011.55</b>		604.20

### Schedules forming part of the Balance Sheet (Contd.)

Schedule F : Investments [Item No.6, page 54]	Face Value Rupees	Holdings as at 31-Mar-07	Rupees in crores	Rupees in crores	Holdings as at 31-Mar-06	Rupees in crores
Current Investments brought forward .....				<b>108.57</b>		109.97
Investments brought forward .....				<b>1,011.55</b>		604.20
HSBC India Opportunities Fund - Growth .. (5,08,573 units sold during the year)	10	16,723	<b>0.02</b>		5,25,296	0.78
HSBC India Opportunities Fund - Dividend (5,84,017 units purchased during the year)	10	5,84,017	<b>0.95</b>		-	-
HSBC Liquid Plus Fund - IP Plus - Daily Dividend Reinvestment .....	10	2,07,75,879	<b>20.78</b>		-	-
(4,07,50,710 units purchased and 1,99,74,831 units sold during the year)						
JM Equity and Derivative Fund - Dividend (7,25,966 units purchased and 3,11,25,769 units sold during the year)	10	-	-		3,03,99,803	30.85
JM High Liquidity - Bonus .....	10	31,12,993	<b>3.19</b>		-	-
(1,63,84,176 units purchased, 31,12,993 bonus units received during the year and 1,63,84,176 units sold during the year)						
JM Money Manager Fund - Super Plus Plan - Dividend .....	10	3,06,48,723	<b>30.65</b>		-	-
(3,06,48,723 units purchased during the year)						
Kotak Equity FOF - Dividend .....	10	4,49,643	<b>0.65</b>		4,49,643	0.65
Kotak Equity FOF - Growth .....	10	19,480	<b>0.02</b>		19,480	0.02
Kotak FMP - 6 month Series 2 Dividend .... (2,04,98,386 units purchased during the year)	10	2,04,98,386	<b>20.50</b>		-	-
LIC Liquid Fund - Dividend .....	10	-	-		1,46,09,665	16.01
(8,64,45,119 units purchased and 10,10,54,784 units sold during the year)						
Principal Cash Management - Liquid Institutional Premium - Daily Dividend .....	10	50,02,045	<b>5.00</b>		-	-
(21,74,00,046 units purchased and 21,23,98,001 units sold during the year)						
Prudential ICICI Liquid - Super IP - Daily Dividend Reinvestment .....	10	1,00,06,106	<b>10.00</b>		-	-
(18,50,54,636 units purchased and 17,50,48,530 units sold during the year)						
Prudential ICICI FMP - Series 35 - 3 months - Plan D - Dividend .....	10	3,00,00,000	<b>30.00</b>		-	-
(3,00,00,000 units purchased during the year)						
Reliance Liquid Fund - TP (M Div.) .....	10	-	-		1,98,65,866	25.00
(30,17,899 units purchased and 2,28,83,765 units sold during the year)						
Reliance Liquidity Fund - Daily Dividend Reinvestment .....	10	3,64,78,895	<b>36.49</b>		-	-
(6,34,70,531 units purchased and 2,69,91,636 units sold during the year)						
SCFMP - QS 7 - Dividend .....	10	1,81,04,040	<b>18.10</b>		-	-
(1,81,04,040 units purchased during the year)						
Sundaram BNP Paribas FTP - Series XVI (90 days) - Dividend .....	10	2,00,76,976	<b>20.08</b>		-	-
(2,00,76,976 units purchased during the year)						
Tata Fixed Horizon Fund - Plan C - 371 days - Growth .....	10	-	-		2,50,00,000	25.00
(2,50,00,000 units sold during the year)						
Current Investments carried forward .....				<b>305.00</b>		208.28
Investments carried forward .....				<b>1,207.98</b>		702.51

**Tata Chemicals Limited**
**Schedules forming part of the Balance Sheet (Contd.)**

Schedule F : Investments [Item No.6, page 54]	Face Value Rupees	Holdings as at 31-Mar-07	Rupees in crores	Rupees in crores	Holdings as at 31-Mar-06	Rupees in crores
Current Investments brought forward .....				<b>305.00</b>		208.28
Investments brought forward .....				<b>1,207.98</b>		702.51
Tata Liquid Fund - SHIP - Daily Dividend .... (23,49,100 units purchased and 19,00,261 units sold during the year)	1,000	4,48,839	<b>50.02</b>		-	-
Tata Liquidity Fund (Daily Dividend) .....	1,000	-	-		99,791	10.00
(1,00,056 units purchased and 1,99,847 units sold during the year)						
Tata FHF Series 9 - Plan D - IP - Dividend ... (2,01,28,923 units purchased during the year)	10	2,01,28,923	<b>20.13</b>		-	-
Tata FHF Series 9 - Plan E - IP - Dividend .... (2,00,86,749 units purchased during the year)	10	2,00,86,749	<b>20.09</b>		-	-
Templeton (Franklin India Flexi Cap Fund) - Dividend .....	10	8,12,849	<b>1.41</b>		-	-
(8,12,849 units purchased during the year)						
Templeton India Bluechip - Dividend Payout (4,45,802 units sold during the year)	10	16,655	<b>0.04</b>		4,62,457	1.23
Templeton India Bluechip - Dividend Reinvestment .....	10	6,71,867	<b>2.38</b>		-	-
(6,71,867 units purchased during the year)						
Templeton (FT India - Plan A) Monthly Dividend .....	10	1,12,92,703	<b>13.03</b>		-	-
(1,12,92,703 units purchased during the year)						
Templeton India TMA - Super IP - Weekly Dividend .....	1,000	50,243	<b>5.11</b>		-	-
(3,02,345 units purchased and 2,52,102 units sold during the year)						
UTI Liquid Cash Plan IP - Daily Dividend .... (8,51,510 units purchased and 7,23,932 units sold during the year)	1,000	1,27,578	<b>13.01</b>		-	-
UTI FMP - March 07 - QS1 - Dividend .....	10	1,70,77,752	<b>17.08</b>			
(1,70,77,752 units purchased during the year)				<b>423.38</b>		202.13
<b>CURRENT INVESTMENTS</b> .....				<b>447.30</b>		219.51
<b>TOTAL INVESTMENTS</b> .....				<b>1,350.28</b>		713.74

	Book Value Rupees in crores	Market Value Rupees in crores	Book Value Rupees in crores	Market Value Rupees in crores
<b>Aggregate of Quoted Investments .</b>	<b>159.32</b>	<b>1,190.98</b>	150.07	1,299.08
<b>Aggregate of Unquoted Investments</b>	<b>1,190.96</b>		563.67	

\* value below Rs.50,000/-

Aggregate of Unquoted Investments

# Shares can be transferred only with the prior approval of the Board of Directors of Tata Teleservices Limited

## Schedules forming part of the Balance Sheet (Contd.)

### Schedule F : Investments

[Item No.6, page 54]

	Face Value Rupees	Number of Units	Face Value Rupees in crores	Purchase Cost Rupees in crores
<b>Following Investments were acquired and sold during the year .....</b>				
ABN AMRO Cash Fund - Institutional Plus - Daily Dividend .....	10	2,50,88,732	25.09	25.09
DSP ML Fixed Term Plan - Series 1E - Growth .....	1000	2,00,000	20.00	20.00
DWS Insta Cash Plus Fund - IP - Daily Dividend .....	10	9,42,53,914	94.25	94.43
HDFC Cash Mgmt Fund - Savings Plus - Dividend .....	10	4,91,96,610	49.20	49.29
HDFC Liquid Fund - Premium Plus Plan - Weekly Dividend .....	10	2,99,25,122	29.93	37.19
HSBC Cash Fund - Institutional Plus - Daily Dividend .....	10	7,21,77,702	72.18	72.22
HSBC Cash Fund - Institutional Plus - Growth .....	10	1,10,50,735	11.05	12.46
ING Vysya Liquid Fund - Super IP - Daily Dividend .....	10	21,16,00,989	211.60	211.65
Kotak Liquid - Institutional Premium Plan - Daily Dividend .....	10	10,30,46,642	103.05	126.00
Prudential ICICI Sweep Plan - Cash Option - Daily Dividend .....	10	1,00,08,196	10.01	10.01
Prudential ICICI FMP - Series 32 - 1 Month - Plan D - Dividend .....	10	2,51,29,250	25.13	25.13
Standard Chartered Liquidity Manager Fund Plus - Daily Dividend .....	10	53,19,330	5.32	5.32
Sundaram BNP Paribas FTP - Series X - Nov 06 - Dividend .....	10	2,50,00,000	25.00	25.00
Sundaram BNP Paribas FTP - Series XIV - (90 Days) - Dividend .....	10	2,50,00,000	25.00	25.00
Sundaram BNP Paribas Money Fund - Super IP - Daily Dividend .....	10	4,79,19,921	47.92	48.38
Tata Liquid Fund - SHIP - Growth .....	1000	45,389	4.54	6.00
Tata FHF - Series 5 - Plan E - Dividend .....	10	3,01,35,274	30.14	30.14
Tata FHF - Series 8 - Plan B - IP - Dividend .....	10	2,00,98,977	20.10	20.13
Templeton India TMA - IP - Growth .....	1000	13,235	1.32	1.47
Templeton India TMA - Super IP - Daily Dividend .....	1000	5,14,845	51.48	51.50
UTI Liquid Fund - Cash Plan - IP - Growth .....	1000	3,47,771	34.78	41.00

**Tata Chemicals Limited**
**Schedules forming part of the Balance Sheet (Contd.)**

	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
<b>Schedule G : Inventories</b>			
(at lower of cost and net realisable value)			
[Item No.7 (a), page 54]			
1		<b>82.94</b>	84.31
2			
(a)	<b>196.80</b>		241.60
(b)	<b>0.37</b>		0.68
(c)	<b>226.37</b>		234.23
		<b>423.54</b>	476.51
		<b>506.48</b>	560.82
<b>Schedule H : Sundry Debtors</b>			
[Item No.7 (b), page 54]			
(unsecured)			
1.			
Over six months old :			
- Considered good .....	<b>147.41</b>		100.56
- Considered doubtful .....	<b>26.07</b>		29.87
		<b>173.48</b>	130.43
2.			
Others :			
- Considered good .....		<b>521.14</b>	500.79
		<b>694.62</b>	631.22
Less : Provision for doubtful debts .....		<b>26.07</b>	29.87
		<b>668.55</b>	601.35
[Including subsidy receivable of <b>Rs.565.19 crores</b> (previous year Rs 500.18 crores)]			
<b>Schedule I : Cash and Bank Balances</b>			
[Item No.7 (c), page 54]			
1.		<b>0.09</b>	0.26
2.			
Balance with scheduled banks in			
(a) Current accounts .....	<b>72.39</b>		45.80
(including cheques on hand <b>Rs. 0.22 crore;</b> previous year Rs. 0.09 crore)			
(b) Deposit accounts .....	<b>22.00</b>		-
		<b>94.39</b>	45.80
		<b>94.48</b>	46.06
<b>Schedule J : Loans and Advances</b>			
[Item No.7 (d), page 54]			
(unsecured)			
1.			
Deposits with Government, public bodies and others :			
(a) Balances with Customs, Port Trusts, Excise etc. ....	<b>21.46</b>		18.47
(b) Others .....	<b>5.00</b>		5.21
2.		<b>424.36</b>	1,031.94
3.		<b>44.88</b>	68.50
4.		<b>0.66</b>	0.52
5.			
Other advances \$			
- Considered good .....	<b>126.09</b>		133.30
- Considered doubtful .....	<b>1.37</b>		6.57
		<b>127.46</b>	139.87
Less: Provision for doubtful advances .....		<b>1.37</b>	6.57
		<b>126.09</b>	133.30
		<b>622.45</b>	1,257.94
#	Loans and advances to subsidiary include <b>Rs.Nil</b> (previous year Rs.404.63 crores) being application money towards subscription to Equity shares		
\$	Other advances include loans:		
	To Managing Director of the Company <b>Rs.Nil</b> (previous year Rs.15,60,395). Maximum balance during the year <b>Rs.15,60,395</b> (previous year Rs.16,67,399)		
	To Officer of the Company <b>Rs.1,11,468</b> (previous year Rs.1,33,728). Maximum balance during the year <b>Rs.1,33,728</b> (previous year Rs. 1,55,988)		

## Schedules forming part of the Balance Sheet (Contd.)

### Schedule K : Current Liabilities

[Item No.8 (a), page 54]

1. Acceptances .....	
2. Sundry creditors .....	
3. Sundry deposits .....	
4. Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 (not due as on 31.03.2007) :	
(a) Unclaimed dividend .....	
(b) Unclaimed debentures and interest .....	
(c) Unclaimed fixed deposits and interest .....	
5. Interest accrued but not due on loans .....	

Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
	<b>193.78</b>	-
	<b>420.04</b>	427.52
	<b>24.55</b>	20.17
	<b>7.10</b>	6.98
	<b>1.22</b>	1.48
	*	0.01
	<b>8.32</b>	8.47
	<b>8.35</b>	9.24
	<b>655.04</b>	465.40

### Schedule L : Provisions

[Item No.8 (b), page 54]

1. Proposed dividend .....	
2. Tax on dividend .....	
3. Provision for premium on redemption of FCCBs .....	
[Note No. 12 , page 81]	
4. Provision for employee benefits .....	

<b>172.08</b>	150.57
<b>29.25</b>	21.12
<b>136.25</b>	139.82
<b>42.23</b>	15.85
<b>379.81</b>	327.36

### Schedule M : Miscellaneous Expenditure

[Item No.10, page 54]

(to the extent not written off or adjusted)

Employee separation scheme .....	
[Note 17, page 82]	

<b>3.70</b>	7.02
<b>3.70</b>	7.02

**Tata Chemicals Limited****Schedule N : Notes on the Balance Sheet and Profit and Loss Account****1. Significant Accounting Policies :****(a) Basis of Accounting**

The accounts of the Company are prepared under the Historical Cost Convention using the accrual method of accounting.

**(b) Fixed Assets**

Fixed Assets are carried at cost less depreciation and impairment loss. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date of commissioning of the assets and other incidental expenses incurred up to that date. Machinery spares whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of asset.

Fixed Assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in project cost.

**(c) Capital Work-in-Progress**

Projects under commissioning and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

**(d) Foreign Currency Transactions**

(i) Purchases and sales in foreign currency are accounted at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currency as at the Balance Sheet date are translated at rates prevailing at the year end and the resultant net gains or losses are recognised as income or expense in the year in which they arise, except that:

- (a) In respect of liabilities for the acquisition of fixed assets from a country outside India, such exchange rate difference is adjusted in the carrying cost of fixed assets;
- (b) Exchange rate difference on long term loans to non-integral foreign operations, are accumulated in a Foreign Currency Translation Reserve, until disposal of the net investment.

(ii) Premium/discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contract. Foreign currency options outstanding at the Balance Sheet date are stated at fair value and any gains or losses are recognised in the Profit and Loss Account.

**(e) Investments**

Long term investments are carried at cost, less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at lower of cost and fair value.

**(f) Inventories**

Inventories are valued at lower of cost (on weighted average basis) and net realisable value after providing for obsolescence and other losses, where considered necessary. Work-in-process, semi-finished and finished products include appropriate proportions of overheads and, where applicable, excise duty.

**(g) Employee Separation Compensation**

- (i) Compensation paid / payable to employees who have opted for retirement under "Voluntary Retirement Scheme"/ "Early Separation Scheme" is amortised over the period for which benefit is expected.
- (ii) Liability under "Early Separation Scheme" is computed and accounted at Net Present Value.

**(h) Sales**

Sales are recognised, net of returns and trade discounts, on despatch of goods to customers. Sales tax and Value Added Tax are excluded. In respect of Urea, sales are recognised based on provisional rates of group concession as notified under the New Pricing Scheme. Equated freight claims and escalation claims for Urea sales are estimated by the Management based on the norms prescribed or notified under the said Scheme. In case of complex fertilisers, other than traded goods, sales include price concession, as notified under the Concession Scheme, or as estimated by the Management based on the norms prescribed. In case of traded goods, revenue is accounted to the extent they are recoverable under the terms of contract with vendors.



## Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)

### (i) Other Income

Interest income is accounted on an accrual basis. Dividend income is accounted for when the right to receive income is established.

### (j) Research and Development Expenses

Revenue expenditure pertaining to Research and Development is charged to the Profit and Loss Account. Expenditure on fixed assets used in Research and Development is capitalised.

### (k) Depreciation

(i) Depreciation has been provided on the straight line method as per Section 205(2)(b) of the Companies Act, 1956 as follows:

(a) in respect of assets acquired prior to 31st March, 1987, in accordance with Circular no. 1/86 dated 21st May, 1986 of the Department of Company Affairs;

(b) in respect of assets acquired on or after 1st April, 1987, at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 as amended, except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under :

Membrane cells	4 years
Catalyst	4-6 years
Vehicles	4 years
Computers and data processing equipments	4 years

(c) for the purpose of depreciation, impairment loss is taken into account.

(ii) Leasehold land is amortised over the duration of the lease.

### (l) Impairment of Assets

Impairment is ascertained at each balance sheet date in respect of Cash Generating Units. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

### (m) Employee Benefits

(i) Post-employment benefit plans

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

**Tata Chemicals Limited**
**Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)**

## (ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave and performance incentives.

The cost of compensated absences is accounted as under -

- (a) in case of accumulated compensated absences, when employees render service that increase their entitlement of future compensated absences; and
- (b) in case of non - accumulating compensated absence when the absences occur.

**(n) Taxes on Income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognised for all timing differences, subject to the consideration of prudence, applying the tax rates that have been substantively enacted by the Balance Sheet date.

**(o) Provisions and Contingencies**

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent assets and liabilities are not recognised.

**2. Segment Information for the year ended 31st March, 2007 :**
**(a) Information about Primary Business Segments**

(Rs. in crores)

	Inorganic Chemicals		Fertilisers		Elimination		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
<b>Revenue :</b>								
External (Net of Excise)	<b>1,504.08</b>	1,326.15	<b>2,486.91</b>	2,192.44	-	-	<b>3,990.99</b>	3,518.59
Inter-segment	-	-	-	-	-	-	-	-
Total Revenue	<b>1,504.08</b>	1,326.15	<b>2,486.91</b>	2,192.44	-	-	<b>3,990.99</b>	3,518.59
<b>Result :</b>								
Segment Result	<b>365.08</b>	321.38	<b>243.44</b>	200.66	-	-	<b>608.52</b>	522.04
Unallocated Income net of Unallocated Expenditure							<b>25.59</b>	15.77
Borrowing Costs (net)							<b>(0.27)</b>	(26.94)
<b>Profit before Tax</b>							<b>633.84</b>	510.87
Provision for Tax							<b>(189.63)</b>	(157.84)
<b>Profit After Tax</b>							<b>444.21</b>	353.03

**Other Information :**

(Rs. in crores)

	Inorganic Chemicals		Fertilisers		Unallocated		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Segment Assets	<b>1,128.44</b>	1,156.06	<b>1,670.22</b>	1,661.50	<b>1,962.02</b>	1,920.34	<b>4,760.68</b>	4,737.90
Segment Liabilities	<b>201.61</b>	236.86	<b>228.92</b>	199.72	<b>604.32</b>	356.18	<b>1,034.85</b>	792.76
Capital Expenditure	<b>87.32</b>	121.77	<b>13.62</b>	8.54	<b>18.70</b>	2.24	<b>119.64</b>	132.55
Depreciation	<b>67.53</b>	57.25	<b>80.78</b>	80.83	<b>2.04</b>	0.85	<b>150.35</b>	138.93

## Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)

### (b) Notes

- (i) Management has identified two reportable business segments, namely :
- Inorganic Chemicals :- comprising of Soda Ash, Salt, Marine Chemicals, Caustic Soda, Cement and Bulk Chemicals.
  - Fertiliser :- comprising of Urea, Phosphatic fertilisers and other agricultural inputs.
- Segments have been identified and reported taking into account the nature of products, the integration of manufacturing processes, the organisation structure and the internal financial reporting systems.
- (ii) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

### 3. Earnings per Share :

		2006-07	2005-06
(a) Profit after tax	Rs. in crores	444.21	353.03
(b) The weighted average number of equity shares of Rs.10 each			
Total number of shares	Nos.	21,51,02,651	21,51,02,651
(c) Earning Per Share (Basic)	Rupees	20.65	16.41
(d) Profit after tax for Basic EPS	Rs. in crores	444.21	353.03
(e) Add: Borrowing cost for Foreign Currency Convertible Bonds (net of tax)	Rs. in crores	1.50	5.08
(f) Profit after tax for Diluted EPS	Rs. in crores	445.71	358.11
(g) The weighted average number of equity shares for Basic EPS	Nos.	21,51,02,651	21,51,02,651
(h) Add: Adjustments for Foreign Currency Convertible Bonds	Nos.	2,83,71,176	2,83,71,176
(i) The weighted average number of equity shares for Diluted EPS	Nos.	24,34,73,827	24,34,73,827
(j) Earning Per Share (Diluted)	Rupees	18.31	14.71

### 4. Related Party Disclosure :

#### (a) Related Parties and their relationship

##### Subsidiaries

Homefield International Pvt. Limited, Mauritius  
 Homefield Pvt. UK Limited, UK  
 Brunner Mond Group Limited, UK  
 Brunner Mond (UK) Limited, UK  
 Brunner Mond Limited, UK  
 The Magadi Soda Company Limited, Kenya  
 Brunner Mond (South Africa) Pty Limited, South Africa  
 Northwich Resource Management Limited, UK  
 Brunner Mond Generation Limited, UK

##### Joint Ventures

Indo Maroc Phosphore S. A., Morocco  
 Kemex B.V., Netherlands  
 (indirectly through Brunner Mond Group Limited, UK )

##### Key Management Personnel

Mr. Prasad R. Menon, Director  
 (Managing Director up to 15th October, 2006)  
 Mr. Homi Khusrokhhan, Managing Director  
 (w.e.f. 16th October, 2006,  
 Executive Director up to 15th October, 2006)

**Tata Chemicals Limited**
**Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)**

Transcontinental Holdings Limited, UK  
 Magadi Railway Company Limited, Kenya  
 Brunner Mond B.V., Netherlands  
 Brunner Mond Asset Management Limited, UK (up to 19th December, 2006)  
 Brunner Mond Trustees Limited, UK (up to 19th December, 2006)  
 Brunner Mond Nominees Limited, UK (up to 19th December, 2006)  
 Pampascrown Limited, UK (up to 19th December, 2006)  
 Transcontinental Sales Limited, UK (up to 19th December, 2006)  
 Brunner Mond Soda Holdings Limited, UK (up to 22nd June, 2006)  
 Brunner Mond CHP Limited, UK (up to 19th December, 2006)

**(b) Transactions with the related parties**

	(Rs. in crores)				
	Subsidiaries - The Magadi Soda Company Limited Kenya	Subsidiaries - Homefield International Pvt. Ltd., Mauritius	Joint Ventures - Indo Maroc Phosphore S.A., Morocco	Key Management Personnel - Mr. Prasad R. Menon	Total
Interest Income	-	<b>35.49</b>	-	-	<b>35.49</b>
	-	13.78	-	-	13.78
Purchase of goods (includes stock in transit)	<b>0.98</b>	-	<b>308.02</b>	-	<b>309.00</b>
	-	-	312.38	-	312.38
Investments (including advance towards subscription to equity shares)	-	<b>4.13</b>	-	-	<b>4.13</b>
	-	404.63	166.26	-	570.89
Loans given	-	<b>0.06</b>	-	-	<b>0.06</b>
	-	1,119.69	-	-	1,119.69
Amount Received (in respect of loans)	-	<b>229.16</b>	-	<b>0.16</b>	<b>229.32</b>
	-	478.58	-	0.01	478.59
Amount Received (in respect of interest receivable)	-	<b>8.62</b>	-	-	<b>8.62</b>
	-	-	-	-	-
Amount Payable (in respect of goods purchased)	-	-	<b>50.61</b>	-	<b>50.61</b>
	-	-	20.62	-	20.62
Interest receivable	-	<b>8.90</b>	-	-	<b>8.90</b>
	-	12.15	-	-	12.15
Amount receivable in respect of loans as on the Balance Sheet date	-	<b>424.36</b>	-	-	<b>424.36</b>
	-	640.72	-	0.16	640.88
Maximum amount outstanding during the year	-	<b>651.76</b>	-	<b>0.16</b>	<b>651.92</b>
	-	640.72	-	0.17	640.89
Amount received/receivable on account of any Management Contracts including for deputation of employees.	-	-	<b>0.54</b>	-	<b>0.54</b>
	-	-	-	-	-

In addition to the above, remuneration is paid to Key Management Personnel, under their contract of employment with the Company [Note 2, page 61]

The figures in light print are for previous year.

## Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)

(c) **Disclosure required by clause 32 of the Listing Agreement**

Amount of Loans/advances in the nature of loans outstanding from subsidiaries during 2006-07

(Rs. in crores)

Name of the Subsidiary	Outstanding as on 31-Mar-2007	Maximum amount outstanding during the year	Investment in shares of subsidiaries of the Company (No. of shares)
Homefield International Pvt. Ltd., Mauritius	<b>424.36</b>	<b>651.76</b>	<b>5,18,11,318</b>
	640.72	640.72	2 @

@ excludes 5,12,87,335 shares applied for, pending allotment in Homefield Pvt UK Limited .

The figures in light print are for previous year.

**5. Deferred Taxes :**

The significant component and classification of deferred tax assets and liabilities on account of timing differences are :

(Rs. in crores)

	As at 31-Mar-2007	As at 31-Mar-2006
<b>Deferred Tax Assets :</b>		
Provision for doubtful debts and advances	<b>8.51</b>	9.69
Other timing differences	<b>16.12</b>	8.45
	<b>24.63</b>	18.14
<b>Deferred Tax Liability :</b>		
Depreciation	<b>315.85</b>	341.09
Net deferred tax liability	<b>(291.22)</b>	(322.95)

6. During the year the useful life of certain categories of assets namely computers, data processing equipments and vehicles were revised w.e.f. 1<sup>st</sup> April 2006. Consequently, the additional depreciation charge for the year ended 31<sup>st</sup> March 2007 considered in the current year is Rs. 3.08 crores.

7. During the year, the Company has entered into a Joint Venture agreement with Total Produce Plc., Ireland for its foray into the fresh produce business. The 50:50 JV, Khet-se Agriproduce India Pvt. Limited, has since been formed.

**8. Employee Benefit Obligations :**

(i) The Company has opted for an early adoption of the revised Accounting Standard (AS-15) "Employee Benefits" w.e.f. 1<sup>st</sup> April, 2006. In pursuance to the Accounting Standard 15- "Employee Benefits" the Company has adjusted an amount of Rs. 10.93 crores net of deferred tax credit of Rs. 5.55 crores against the opening balance of General Reserve as per the transition provision of the Standard. Further current year charge to the Profit and Loss Account is higher by Rs. 3.19 crores.

**Tata Chemicals Limited**
**Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)**

- (ii) The Company makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of Tata Chemicals Limited Provident Fund and the superannuation fund is administered by the Trustees of Tata Chemicals Limited Superannuation Fund. Under the schemes, the Company is required to contribute a specified percentage of salary to the retirement benefit schemes to fund the benefit.

The Rules of the Company's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared by the Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future.

On account of Defined Contribution Plans, a sum of **Rs. 10.84 crores** (previous year Rs. 9.49 crores) has been charged to the Profit and Loss Account.

- (iii) The Company makes annual contributions to the Tata Chemicals Employees' Gratuity Trust and to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, both are funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment as per the Company's Gratuity Scheme. Vesting occurs upon completion of five years of service.

The Company is also providing post retirement medical benefits to qualifying employees.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at 31st March, 2007. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The following tables set out the funded status and amounts recognised in the Company's financial statements as at 31st March, 2007 for the Defined Benefits Plans :

	(Rs. in crores)	
	Gratuity	Post-employment medical benefits
(a) Changes in the defined benefit obligation	As at 31-Mar-2007	As at 31-Mar-2007
Projected defined benefit obligation, beginning of the year (1st April, 2006)	40.59	6.24
Current service cost	2.30	0.25
Interest cost	3.00	0.46
Actuarial (gain) / loss	1.61	(0.95)
Benefits paid	(2.16)	(0.12)
<b>Projected defined benefit obligation, end of the year</b>	<b>45.34</b>	<b>5.88</b>
(b) Changes in the fair value of plan assets		
Fair value of plan assets, beginning of the year (1st April, 2006)	41.50	-
Expected return on plan assets	3.07	-
Employer's contributions	3.68	0.12
Actuarial gain / (loss)	(3.03)	-
Benefits paid	(2.16)	(0.12)
<b>Fair value of plan assets, end of the year</b>	<b>43.06</b>	<b>-</b>
Liability (net)	<b>2.28</b>	<b>5.88</b>

## Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)

### (c) Net employee benefit expense (recognised in employee cost) for the year ended 31st March, 2007

(Rs. in crores)

	Gratuity	Post-employment medical benefits
	31-Mar-2007	31-Mar-2007
Current service cost	2.30	0.25
Interest defined benefit obligation	3.00	0.46
Expected return on plan assets	(3.07)	-
Net actuarial (gain) / loss recognised in the year	4.64	(0.95)
Past service cost	-	-
Net benefit expense	6.87	(0.24)
Actual return on plan assets	0.04	-

### (d) Categories of plan assets as a percentage of the fair value of total plan assets

	Gratuity	
	As at 31-Mar-2007	As at 31-Mar-2007
	Rs. in crores	%
Government of India Securities	19.79	46
Corporate Bonds	3.67	9
Special Deposit Scheme	11.61	27
Equity Shares of Listed Companies	0.84	2
Insurer Managed Funds	3.68	9
Others	3.47	7
Total	43.06	100

### (e) Assumptions used in accounting for gratuity and post-employment medical benefit obligations

	Gratuity	Post-employment medical benefits
	31-Mar-2007	31-Mar-2007
Discount rate	8.10%	8.10%
Expected rate of return on plan assets	7.50%	NA
Increase in compensation cost	10% p.a. for first 3 years & 7.50% p.a. thereafter	NA
Healthcare cost increase rate	NA	6.00%

- Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.
- Expected rate of return on plan assets is based on the average long term rate of return expected on investments of the fund during the estimated term of the obligations.
- The estimates of future salary increases, considered in actuarial valuation, take account the inflation, seniority, promotion and other relevant factors.

**Tata Chemicals Limited**
**Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)**
**(f) Effect of change in assumed health care cost trend rate**

	(Rs. in crores)	
	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	0.14	(0.12)
Effect on defined benefit obligation	1.10	(0.95)

(iv) The contribution expected to be made by the Company during the financial year 2007-08 has not been ascertained.

9. Research and Development expenses incurred during the year **Rs.6.02 crores** (previous year Rs.4.31 crores) have been debited to the respective heads of expenses.
10. The proportionate share of assets, liabilities, income and expenditure of the Joint Ventures included in the consolidated financial statements are given below:-

PARTICULARS	(Rs. in crores)			
	Indo Maroc Phosphore S. A.		Kemex B.V.	
	Morocco		Netherlands	
Country of incorporation	33.33%		49.99%	
Percentage of ownership interest	33.33%		49.99%	
	<b>2006-07</b>	2005-06	<b>2006-07</b>	2005-06
<b>LIABILITIES</b>				
Loan Funds	<b>18.92</b>	69.79	<b>4.07</b>	3.78
Current Liabilities	<b>63.12</b>	43.50	<b>1.42</b>	1.65
<b>ASSETS</b>				
Fixed Assets-Net Block	<b>125.97</b>	119.34	<b>4.30</b>	3.96
Current Assets	<b>67.87</b>	77.85	<b>4.69</b>	4.45
<b>INCOME</b>				
Sales and Operating Income	<b>274.04</b>	238.73	<b>8.88</b>	3.04
<b>EXPENDITURE</b>				
Manufacturing and Other Expenses	<b>216.47</b>	176.65	<b>7.30</b>	1.88
Borrowing Costs (net)	<b>1.41</b>	5.38	<b>0.11</b>	0.02
Depreciation	<b>28.25</b>	24.48	<b>0.79</b>	0.19
Provision for Tax	<b>3.90</b>	0.65	<b>0.37</b>	0.26
<b>PROFIT/(LOSS) AFTER TAX FOR THE YEAR</b>	<b>24.01</b>	31.57	<b>0.31</b>	0.69

11. (a) During year 2004-05, the Company had issued Foreign Currency Convertible Bonds (FCCBs) of a face value of US \$ 1000 aggregating to US \$ 150 million. As per the terms of the issue, the holders have an option to convert the FCCB into Ordinary Shares at a conversion rate of Rs. 231.375 per Ordinary Share at a fixed exchange rate conversion of Rs. 43.65 = US \$1, from 13th March, 2005 to 22nd January, 2010. The conversion price is subject to certain adjustments for corporate actions and consequently the conversion price has changed to Rs.230.78 per ordinary share. Further, under certain conditions the Company has an option of early redemption in whole but not in part. Unless previously converted, redeemed or purchased and cancelled, the Company will redeem these bonds at 120.89 per cent of the principal amount on 1st February, 2010.
- (b) Exchange gain of Rs 3.57 crores on account of year end translation of liability denominated in foreign currency, relating to premium on redemption of FCCBs has been credited to the Securities Premium Account. In the previous year, exchange loss of Rs. 2.79 crores was debited to the Securities Premium Account.



## Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)

### 12. Provision for premium on redemption of Foreign Currency Convertible Bonds (FCCBs) :

(Rs. in crores)

	As at 31-Mar-2007	As at 31-Mar-2006
Opening Balance	139.82	137.03
Add / (Less) : Exchange difference	(3.57)	2.79
Closing Balance	<b>136.25</b>	139.82

Premium payable on redemption of FCCBs issued has been fully provided and debited to Securities Premium Account.

### 13. Derivative Instruments :

- (i) As on 31st March 2007, the Company has the following derivative instruments outstanding:
- Forward currency exchange contracts USD-INR amounting to **Rs. 247.61 crores** for the purpose of hedging its exposures to foreign currency loans (previous year Rs. 435.71 crores)
  - Forward currency exchange contracts USD- INR amounting to **Rs. 69.49 crores** for the purpose of hedging its exposures to foreign currency acceptances (previous year Rs. Nil)
  - Currency options contracts USD- INR amounting to **USD 169.26 million** for the purpose of hedging its exposures to foreign currency loans (previous year USD 143.00 million)
  - Currency options contracts USD-INR amounting to **USD 11.00 million** for the purpose of hedging its exposures to foreign currency acceptances (previous year USD Nil)
  - Interest rate swaps to hedge against fluctuations in interest rates **USD Nil** (previous year Notional principal USD 20 million)
  - Currency option contacts USD-INR for hedging of export receivables **USD Nil** (previous year USD 1.50 million)
- (ii) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:
- Export receivables **Rs. 5.20 crores** (previous year Rs. Nil)
  - Loans and advances **Rs. 424.36 crores** (previous year Rs. 1,031.94 crores)
  - Loans payable **Rs. Nil** (previous year Rs. 326.83 crores)
  - Acceptances **Rs. 76.46 crores** (previous year Rs. Nil)
  - Accounts payable **Rs. 45.05 crores** (previous year Rs. 23.05 crores)

14. (a) Estimated amount of contracts remaining to be executed on capital account and not provided for **Rs. 29.74 crores** (previous year Rs.8.52 crores).
- (b) Capital commitment towards investment in proposed joint venture (Khet-se Agriproduce India Pvt. Limited) : **Rs. 6.72 crores** (previous year Rs. Nil).

### 15. Contingent Liabilities :

#### (a) Guarantees

Bank Guarantees issued by Banks on behalf of the Company **Rs.67.60 crores** (previous year Rs.49.58 crores). These are covered by the charge created in favour of the Company's bankers by way of hypothecation of stocks and debtors.

**Tata Chemicals Limited**

**Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)**

(b) **Claims not acknowledged by the Company relating to the following areas**

(Rs. in crores)

	As at 31-Mar-2007	As at 31-Mar-2006
(i) Excise and Customs#	<b>38.97</b>	719.45
(ii) Sales Tax	<b>57.05</b>	48.17
(iii) Demand for utility charges	<b>50.61</b>	46.08
(iv) Labour and other Legal matters	<b>6.78</b>	3.85
(v) Income Tax (Pending before Appellate authorities in respect of which the Company is in appeal)	<b>59.97</b>	71.47
(vi) Income Tax (Decided in Company's favour by Appellate authorities and Department is in further appeal)	<b>67.80</b>	67.80

#Waste products that are generated during the course of manufacture of excisable product have been used as an input for the manufacture of non-excisable product. The Excise Department at Haldia passed an Order on 29th March, 2006 determining the duty of Rs.278.35 crores and penalty of equal amount for alleged violation of rules 6(3) of CENVAT Credit Rules, 2002. The Department also demanded interest of Rs.153.78 crores. The Company filed an appeal against the demand before CESTAT, Kolkata and deposited a sum of Rs.0.63 crore under protest. The appeal of the Company against the claim was upheld by CESTAT, Kolkata vide its Order dated 21st March, 2007.

(c) Various claims pending before Industrial Tribunals and Labour Courts of which amounts are indeterminate.

16. The lease deposit of Rs. 25 crores remaining with the lessors is provided over the useful life of the asset and consequently a net amount of **Rs. 2.17 crores** (previous year Rs. 2.17 crores) has been charged to the Profit and Loss Account on the principle of matching of revenue and costs.

Future obligations by way of lease rentals in respect of non-cancelable operating lease arrangements amount to :

- (a) due within one year **Rs. 0.27 crore** (previous year Rs. 0.50 crore)
- (b) due within the following four years **Rs. Nil** (previous year Rs. 0.02 crore)
- (c) due after five years **Rs. Nil** (previous year Rs. Nil)

17. (a) Provision for Employee Separation Compensation has been calculated on the basis of the net present value of the future monthly payments of pension.

(b) The amount shown under Miscellaneous Expenditure on this account represents the balance amount to be amortised over the future years.

(c) An amount of **Rs. 0.64 crore** (previous year Rs. 1.26 crores) is payable under the scheme within one year.

18. (a) Sundry Creditors include dues to Small Scale Industrial Undertakings **Rs.2.24 crores** (previous year Rs.1.02 crores).

(b) Name of Small Scale Industrial Undertaking to whom the Company owes an amount for more than thirty days is :  
- Kamlesh Timber Mart

## Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)

### 19. Licensed and installed capacities :

	As at 31-Mar-2007		As at 31-Mar-2006	
	Licensed Capacity Tonnes	Installed Capacity Tonnes \$	Licensed Capacity Tonnes	Installed Capacity Tonnes \$
Soda Ash	10,00,000	9,17,700	10,00,000	8,75,000
Sodium Bicarbonate	75,600	70,000	75,600	53,600
Caustic Soda	36,000	36,000	36,000	36,000
Liquid Chlorine	31,950	31,950	31,950	14,400
Hydrochloric Acid	N.A.	64,800	N.A.	64,800
Bromine	2,520	2,400	2,520	1,500
Hydrobromic Acid	50	50	50	50
Vacuum Salt	N.A.	5,50,550	N.A.	5,25,000
Chemicals and other Industrial Machinery	5,000	5,000	5,000	5,000
Clinker	N.R.	8,25,000	N.R.	8,25,000
Cement	4,40,000	4,40,000	4,40,000	4,40,000
Ammonia	N.R.	4,45,500	N.R.	4,45,500
Urea	N.R.	7,42,500	N.R.	7,42,500
Sulphuric acid #	2,21,500	2,21,500	2,21,500	2,21,500
Phosphoric acid #	46,725	41,850	46,725	41,850
Sulphonic Acid #	N.A.	12,000	N.A.	12,000
Sodium Tripolyphosphate (STPP) #	40,000	50,000	40,000	50,000
Diammonium Phosphate (DAP)#	6,70,000	6,70,000	6,70,000	6,70,000
Industrial Phosphates @ #	15,000	15,000	15,000	15,000
Tetra Sodium Pyro Phosphate (TSPP) @ #	15,000	15,000	15,000	15,000
Single Super Phosphate (SSP) #	1,65,000	1,65,000	1,65,000	1,65,000

\$ As certified by the Management and accepted by the Auditors.

# Licensed capacity includes capacity under the Industrial Entrepreneurs Memorandum filed with the Government and duly acknowledged by them under the scheme of delicensing notified by the Government.

@ Alternate capacities to STPP.

N.A. Not Applicable

N.R. Not Required

**Tata Chemicals Limited**
**Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)**
**20. Production and Sales :**

	Production/Purchase		Internal Use		Sales			
	2006-07	2005-06	2006-07	2005-06	2006-07		2005-2006	
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Rs. in crores	Tonnes	Rs. in crores
Soda Ash	<b>7,57,209</b>	7,38,234	<b>35,180</b>	29,231	<b>7,21,946</b>	<b>754.14</b>	7,06,907	712.64
Sodium Bicarbonate	<b>60,588</b>	51,597	<b>102</b>	67	<b>59,281</b>	<b>66.79</b>	53,321	57.84
Caustic Soda	<b>9,699</b>	14,525	<b>2,771</b>	3,539	<b>6,965</b>	<b>13.06</b>	11,052	19.15
Liquid Chlorine	<b>3,560</b>	6,393	<b>352</b>	549	<b>3,233</b>	<b>0.97</b>	5,891	3.73
Hydrochloric Acid	<b>11,853</b>	15,316	<b>10,253</b>	11,856	<b>1,785</b>	<b>0.11</b>	3,602	0.32
Bromine	<b>1,749</b>	1,846	-	-	<b>1,713</b>	<b>16.40</b>	1,862	16.67
Hydrobromic Acid	-	4	-	1	-	-	3	0.02
Vacuum Salt #	<b>4,71,900</b>	4,98,057	<b>12,011</b>	10,453	<b>4,96,802</b>	<b>330.32</b>	4,74,189	310.28
Pure Salt	<b>15,209</b>	22,061	<b>306</b>	1,090	<b>15,108</b>	<b>5.71</b>	20,284	6.18
Solar Salt	<b>2,22,709</b>	86,327	-	-	<b>2,22,709</b>	<b>4.25</b>	86,327	1.47
Gypsum	<b>2,34,585</b>	2,13,061	<b>26,028</b>	25,469	<b>2,31,201</b>	<b>9.80</b>	1,73,780	7.92
Cement	<b>5,10,371</b>	4,90,643	<b>3,389</b>	4,010	<b>5,08,552</b>	<b>193.18</b>	4,86,064	142.54
Clinker	<b>5,15,986</b>	5,16,983	<b>4,86,693</b>	4,66,172	<b>48,508</b>	<b>9.80</b>	23,633	4.39
Ammonia	<b>5,76,677</b>	5,47,365	<b>5,76,651</b>	5,47,446	-	-	-	-
Urea	<b>10,11,338</b>	9,60,113	<b>589</b>	645	<b>10,16,886</b>	<b>863.52</b>	9,53,518	722.07
Sodium Tripolyphosphate (STPP) @	<b>41,213</b>	20,260	<b>10</b>	9	<b>45,612</b>	<b>168.68</b>	16,108	74.40
Diammonium Phosphate (DAP)	<b>2,96,426</b>	2,80,939	<b>343</b>	95	<b>2,78,493</b>	<b>455.83</b>	2,74,636	421.75
NPK	<b>4,62,796</b>	4,05,704	<b>310</b>	937	<b>4,31,116</b>	<b>635.93</b>	3,87,098	547.79
Single Super Phosphate	<b>1,59,690</b>	1,40,236	<b>26,069</b>	14,256	<b>1,24,200</b>	<b>55.17</b>	1,26,184	55.32
Sulphuric Acid	<b>2,38,031</b>	2,38,707	<b>1,78,695</b>	1,89,928	<b>55,238</b>	<b>16.02</b>	53,456	14.03
Phosphoric Acid	<b>33,827</b>	37,788	<b>33,611</b>	37,807	<b>76</b>	<b>0.22</b>	30	0.07
Sulphonic Acid @@	<b>1,821</b>	2,239	<b>2</b>	-	<b>1,967</b>	<b>11.04</b>	2,038	10.64
<b>Sale of Purchased Materials :</b>								
Vacuum Salt	<b>7,589</b>	8,770	-	-	<b>7,589</b>	<b>3.08</b>	8,826	3.57
Solar Evaporated Salt (I-shakti)	<b>5,065</b>	-	-	-	<b>5,065</b>	<b>2.57</b>	-	-
Complex Fertilisers	<b>1,71,296</b>	2,03,452	<b>1,049</b>	2,276	<b>2,01,341</b>	<b>308.17</b>	2,03,083	311.80
MOP	<b>1,09,200</b>	1,25,733	<b>32,440</b>	8,710	<b>93,071</b>	<b>104.66</b>	90,580	98.71
Rock Phosphate	<b>3,724</b>	-	-	-	<b>3,724</b>	<b>1.54</b>	-	-
Sulphur	<b>1,159</b>	-	-	-	<b>1,159</b>	<b>0.56</b>	-	-
Caustic Soda Lye	<b>13,884</b>	-	-	-	<b>13,884</b>	<b>13.15</b>	-	-
Others					<b>52.99</b>			59.84
					<b>4,097.66</b>			<b>3,603.14</b>

# Sales of vacuum Salt includes free issues under sales promotion schemes.

@ Excludes quantities processed under conversion arrangement **2,668 tonnes** (previous year 30,387 tonnes)

@@ Excludes quantities processed under conversion arrangement **10,092 tonnes** (previous year 8,683 tonnes)

## Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)

### 21. Closing Stocks of Semi - finished and Finished Products :

	As at 31-Mar-2007		As at 31-Mar-2006	
	Tonnes	Rs. in crores	Tonnes	Rs. in crores
Soda Ash	16,557\$	11.86@	16,474\$	10.50@
Sodium Bicarbonate	2,821\$	1.70@	1,616\$	0.82@
Caustic Soda	142	0.13	179	0.12
Liquid Chlorine	31	0.02	56	0.04
Hydrochloric Acid	181	0.01	366	0.03
Bromine	45	0.20	9	0.04
Ethyl Bromide	2	0.01	2	0.01
Hydrobromic Acid	2	0.01	2	0.01
Vacuum Salt	29,525	6.50#	66,438	13.87#
Pure Salt	1,004	0.16	1,209	0.19
Gypsum	5,549	0.05	28,193	0.28
Cement	6,233	0.86	7,803	1.28
Clinker	23,282	4.19	42,497	5.35
Ammonia	1,134	0.87	1,108	0.72
Urea	58,900	36.56	65,037	35.55
Complex Fertilisers	1,007	1.58#	32,101	45.66#
Sodium Tripolyphosphate (STPP) @	677	3.42	5,086	19.77
Diammonium Phosphate (DAP)	27,776	42.66	10,186	15.90
NPK	69,439	95.94	38,069	52.49
Single Super Phosphate	13,482	4.39	4,061	1.40
Sulphuric Acid	5,197	0.74	1,099	0.21
Phosphoric Acid	393	0.98	253	0.75
Sulphonic Acid @@	53	0.30	201	1.05
MOP	10,234	10.23#	26,545	27.35#
Others		3.00#		0.84#
		<b>226.37</b>		<b>234.23</b>

@ Net of values written down for reprocessing charges and other incidental charges for cyclone / rain damaged stocks.

\$ Includes cyclone damaged stocks written down in the previous years Soda Ash- 262 Tonnes, Rs. \* crore (previous year 262 Tonnes, Rs. \* crores) and Sodium Bicarbonate- 432 Tonnes, Rs. \* crore (previous year 432 Tonnes, Rs.\* crores)

# Includes closing stock of traded goods

**Tata Chemicals Limited**
**Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)**
**22. Raw Materials consumed :**

(inclusive of Salt, Limestone, Soda Ash and Gypsum produced and captively consumed)

	Measure	2006-07		2005-06	
		Quantity	Rs. in crores	Quantity	Rs. in crores
(a) Limestone @	Tonnes	16,36,298	81.82	16,87,566	58.91
(b) Liquid Ammonia#	Tonnes	3,004	5.01	2,914	4.31
(c) Salt *	Tonnes	16,03,860	16.90	15,41,656	15.71
(d) Coke	Tonnes	79,439	65.02	60,851	68.47
(e) Anthracite Coal	Tonnes	18,143	10.87	46,875	35.86
(f) Natural Gas	SCM	16,08,51,336	74.03	16,58,62,765	80.06
(g) RLNG	SCM	22,74,51,365	208.22	21,34,36,931	156.14
(h) Naptha	KL	3,478	7.63	604	0.86
(i) Phosphoric Acid	Tonnes	2,51,578	558.20	2,40,118	497.42
(j) Ammonia	Tonnes	1,25,478	201.91	118,771	198.27
(k) MOP	Tonnes	1,68,380	170.40	161,039	138.13
(l) Rock	Tonnes	1,95,684	76.14	1,40,440	56.57
(m) MAP	Tonnes	20,898	26.30	-	-
(n) Sulphur	Tonnes	79,220	32.94	57,919	29.23
(o) Other Raw Materials **			86.98		73.74
			<b>1,622.37</b>		<b>1,413.68</b>

 @ Includes **Rs. 4.88 crores** (previous year Rs.4.96 crores) charged to wages, salaries and other revenue accounts.

 # Includes **Rs.0.46 crore** (previous year Rs. 0.43 crore) charged to wages, salaries and other revenue accounts.

 \* Includes **Rs. 4.16 crores** (previous year Rs. 5.28 crores) charged to wages, salaries and other revenue accounts.

 \*\* Includes **Rs. 3.62 crores** (previous year Rs. 7.23 crores) charged to wages, salaries and other revenue accounts.

**23. Value of Imports (C.I.F. Value) :**

	2006-07 Rs. in crores	2005-06 Rs. in crores
(a) Raw Materials, fuel and traded products	1,310.38	1,163.57
(b) Stores, components and spare parts	6.22	11.37
(c) Capital goods	3.01	2.18
	<b>1,319.61</b>	<b>1,177.12</b>

**24. Expenditure in Foreign Currencies :**

	2006-07 Rs. in crores	2005-06 Rs. in crores
(a) For Technical know how fee	3.85	4.32
(b) Interest in foreign currency on foreign currency loans	42.48	28.37
(c) Payments on other accounts	7.50	2.87
	<b>53.83</b>	<b>35.56</b>

## Schedule N : Notes on the Balance Sheet and Profit and Loss Account (Contd.)

### 25. Remittances in foreign currencies for Dividends :

The Company has remitted during the year **Rs. 5.29 crores** (previous year Rs. 6.11 crores) in foreign currencies on account of dividends and does not have information as to the extent to which other remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividends paid to non-resident shareholders for the year 2005-06, for which dividend was declared during the year, are as under :

	<b>2006-07</b>	2005-06
(a) Number of Non-Resident Shareholders	<b>1791</b>	1308
(b) Number of Ordinary Shares held by them	<b>75,58,178</b>	94,06,026
(c) Gross amount of dividend (Rs. in crores)	<b>5.29</b>	6.11

### 26. Earnings in Foreign Exchange :

	<b>2006-07</b>	2005-06
	<b>Rs. in crores</b>	Rs. in crores
(a) Export of goods on F.O.B. basis	<b>77.93</b>	80.61
(b) Interest income from subsidiary	<b>35.49</b>	13.78
	<b>113.42</b>	94.39

### 27. Value of imported and indigenous raw materials, stores, components and spare parts consumed :

	<b>2006-07</b>				2005-06			
	Raw Materials		Stores Components and Spare Parts		Raw Materials		Stores Components and Spare Parts	
	Rs. in crores	%	Rs. in crores	%	Rs. in crores	%	Rs. in crores	%
(a) Imported	<b>1,110.54</b>	<b>68.45</b>	<b>2.88</b>	<b>4.60</b>	965.61	68.31	3.03	3.55
(b) Indigenous	<b># 511.83</b>	<b>31.55</b>	<b>59.72</b>	<b>95.40</b>	# 448.07	31.69	82.27	96.45
	<b>1,622.37</b>	<b>100.00</b>	<b>62.60</b>	<b>100.00</b>	1,413.68	100.00	85.30	100.00

# Includes **Rs. 13.12 crores** (previous year Rs. 17.90 crores) charged to wages, salaries and other revenue accounts.

28. Asterisks denotes figures below Rs.50,000.

29. Previous years' figures have been regrouped wherever necessary.

Signatures to Schedules '1' to '5', 'A' to 'H', Notes to Accounts, Balance Sheet Abstract of Company's General Business Profile.

For and on behalf of the Board

R. N. TATA	<i>Chairman</i>
R. GOPALAKRISHNAN	<i>Vice-Chairman</i>
H. R. KHUSROKHAN	<i>Managing Director</i>
P. K. GHOSE	<i>Chief Financial Officer</i>
S. D. JAIN	<i>Company Secretary</i>

Mumbai, 30th May, 2007

**Tata Chemicals Limited**

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

**I. Registration Details**

Registration No.      State Code    
 Balance Sheet Date        
 Date Month Year

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

Public Issue          
 Bonus Issue          
 Rights Issue          
 Private Placement

**III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)**

Total Liabilities          
 Sources of Funds  
 Paid up Capital          
 Secured Loans         
 Deferred Tax Liability (Net)          
 Total Assets          
 Reserves and Surplus          
 Unsecured Loans          
 Application of Funds  
 Net Fixed Assets          
 Net Current Assets          
 Accumulated Losses          
 Investments          
 Misc. Expenditure

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

Turnover (Gross Revenue)          
 +/-    
 Profit/Loss before tax          
 +/-    
 Earnings per Share in Rs.         
 Total Expenditure          
 Profit/Loss after tax          
 Dividend rate %

**V. Generic names of three principal products/services of the Company (as per monetary terms)**

Item code no. (ITC Code)            
 Product Description          
 Item code no. (ITC Code)            
 Product Description            
 Item code no. (ITC Code)            
 Product Description



**Summary of Financial Information of Subsidiary Companies**
**(Rs. in crores)**

Name of Subsidiary Company	Issued and Subscribed Share Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover/ Total Income	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
Homefield International Pvt. Ltd.	391.39	67.78	883.53	883.53	398.97	38.65	7.94	-	7.94	-
Homefield UK Pvt. Ltd.	443.39	(34.90)	849.53	849.53	885.88	12.02	(30.76)	-	(30.76)	-
Brunner Mond Group Limited@	0.86	301.55	1,150.37	1,150.37	-	1,648.23	108.29	46.56	61.74	-

@ Consolidated figures of Brunner Mond Group Limited and its subsidiaries

The financial statements of subsidiaries are converted into Indian Rupees on the basis of appropriate exchange rate.

**Financial Highlights - Last Decade**

Year	Turnover	Net Operating Income	PAT/Net Income	Earnings per Share-Basic	Dividend per Share	Gross Gearing	Return on Capital Employed	Return on Net Worth	Fixed Assets Cover	Working Capital Turnover	Exports FOB Value	Market Capitalisation as on March 31st
	(Rs. Crs.)	(Rs. Crs.)	(%)	(Rs.)	(Rs.)	(%)	(%)	(%)	(No. of times)	(%)	(Rs. Crs.)	(Rs. Crs.)
1997-98	1,633.02	1,527.54	18.9%	15.97	6.50	48.9%	17.7%	19.0%	0.65	55.0%	19.98	2,701.47
1998-99	1,453.09	1,358.84	13.4%	10.06	5.00	48.4%	12.7%	11.1%	0.55	69.7%	2.05	1,297.43
1999-00	1,513.42	1,424.65	8.2%	6.50	5.00	44.7%	10.4%	7.0%	0.52	54.6%	5.46	948.68
2000-01	1,470.00	1,405.25	11.7%	9.13	5.00	37.1%	11.3%	9.1%	0.51	52.4%	22.10	687.33
2001-02	1,387.10	1,357.68	9.3%	7.02	5.00	34.5%	10.1%	7.3%	0.48	50.0%	20.75	839.97
2002-03	1,612.42	1,535.27	12.8%	10.88	5.50	28.2%	11.8%	12.3%	0.54	40.8%	53.18	1,190.41
2003-04	2,632.79	2,544.15	8.7%	10.25	5.50	23.6%	12.3%	12.0%	0.84	34.3%	64.25	2,293.62
2004-05	3,097.91	3,008.14	11.3%	15.83	6.50	36.0%	13.8%	16.9%	0.98	39.0%	85.27	3,260.96
2005-06	3,638.23	3,518.59	10.0%	16.41	7.00	36.9%	13.7%	17.0%	1.12	47.6%	80.61	5,675.48
2006-07	4,107.08	3,990.99	11.1%	20.65	8.00	28.0%	16.7%	19.5%	1.24	21.5%	77.93	4,451.55

**Tata Chemicals Limited****Auditors' Report on Consolidated Financial Statements****TO THE BOARD OF DIRECTORS OF  
TATA CHEMICALS LIMITED**

1. We have audited the attached Consolidated Balance Sheet of **TATA CHEMICALS LIMITED** ('the Company'), its subsidiaries and joint ventures (collectively referred as 'the TCL Group') as at 31st March, 2007 and the Consolidated Profit and Loss account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets (net) of Rs. 2861.15 crores as at 31st March, 2007, total revenues of Rs. 1699.10 crores and net cash outflow of Rs.14.44 crores for the periods ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We did not audit the financial statements of a joint venture, whose financial statements include the company's share in the total revenue of Rs. 206.14 crores and net cash outflow of Rs. 4.98 crores for the period from 1st April, 2006 to 31st December, 2006. These financial statements and other financial information have been audited by other auditors, whose report has been furnished to us, and our opinion is based solely on the report of other auditors. For the remaining period of the year, financial statements reflecting company's share in the total assets (net) of Rs. 130.72 crores as at 31st March, 2007, total revenue of Rs. 68.55 crores and net cash inflow of Rs. 9 crores for the three months period ended on that date, have not been audited and are as certified by the management.
5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
6. Subject to the matter referred to in paragraph 4 above, based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the TCL Group as at 31st March, 2007;
- (ii) in the case of Consolidated Profit and Loss Account, of the profit of the TCL Group for the year ended on that date; and
- (iii) in the case of Consolidated Cash Flow Statement, of the cash flows of the TCL Group for the year ended on that date.

For S. B. BILLIMORIA & CO.  
Chartered Accountants

N VENKATRAM  
Partner  
Membership No.: 71387  
Mumbai, 30th May, 2007

For N.M. RAIJI & CO.  
Chartered Accountants

J. M. GANDHI  
Partner  
Membership No.: 37924

**Tata Chemicals Limited**
**Consolidated Balance Sheet as at 31st March, 2007**

	Schedule	Page	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
<b>SOURCES OF FUNDS</b>					
1. SHAREHOLDERS' FUNDS					
(a) Share Capital .....	A	98	<b>215.16</b>		215.16
(b) Reserves and Surplus .....	B	98	<b>2,356.66</b>		2,004.19
				<b>2,571.82</b>	2,219.35
2. LOAN FUNDS					
(a) Secured .....	C	99	<b>862.07</b>		461.95
(b) Unsecured .....	D	99	<b>1,002.13</b>		1,365.74
				<b>1,864.20</b>	1,827.69
3. DEFERRED CAPITAL GRANTS .....				<b>21.13</b>	23.87
4. DEFERRED TAX LIABILITY (net) .....				<b>291.22</b>	322.95
[Note 6, page 110]					
5. TOTAL .....				<b>4,748.37</b>	4,393.86
<b>APPLICATION OF FUNDS</b>					
6. FIXED ASSETS .....	E	100			
(a) Gross Block .....			<b>5,782.26</b>		4,846.24
(b) Less : Depreciation and Impairment ..			<b>2,955.82</b>		2,625.73
(c) Net Block .....			<b>2,826.44</b>		2,220.51
(d) Capital Work-in-Progress .....			<b>229.61</b>		558.90
				<b>3,056.05</b>	2,779.41
7. GOODWILL ON CONSOLIDATION .....				<b>763.24</b>	707.49
8. INVESTMENTS .....	F	101		<b>775.26</b>	547.48
9. DEFERRED TAX ASSET (net) .....				<b>57.56</b>	93.62
[Note 6, page 110]					
10. CURRENT ASSETS, LOANS AND ADVANCES					
(a) Inventories .....	G	102	<b>635.17</b>		698.32
(b) Sundry Debtors .....	H	102	<b>966.49</b>		765.54
(c) Cash and Bank Balances .....	I	102	<b>154.46</b>		116.47
(d) Loans and Advances .....	J	103	<b>258.18</b>		272.69
			<b>2,014.30</b>		1,853.02
11. CURRENT LIABILITIES AND PROVISIONS					
(a) Current Liabilities .....	K	103	<b>1,148.48</b>		859.47
(b) Provisions .....	L	104	<b>773.26</b>		734.71
			<b>1,921.74</b>		1,594.18
12. NET CURRENT ASSETS (10-11) .....				<b>92.56</b>	258.84
13. MISCELLANEOUS EXPENDITURE .....	M	104		<b>3.70</b>	7.02
14. TOTAL .....				<b>4,748.37</b>	4,393.86
15. Notes on the Balance Sheet and Profit and Loss Account .....	N	105			

As per our report attached

For S. B. BILLIMORIA & CO. Chartered Accountants,  
N. VENKATRAM  
Partner.

For N. M. RAIJI & CO. Chartered Accountants,  
J. M. GANDHI  
Partner.

Mumbai, 30th May, 2007

For and on behalf of the Board

R. N. TATA  
R. GOPALAKRISHNAN  
H. R. KHUSROKHAN  
P. K. GHOSE  
S. D. JAIN

Chairman  
Vice-Chairman  
Managing Director  
Chief Financial Officer  
Company Secretary

Mumbai, 30th May, 2007

## Consolidated Profit and Loss Account for the year ended 31st March, 2007

	Schedule	Page	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>INCOME</b>					
1. Sales and Operating Income .....	1	96	<b>5,971.04</b>		4,169.80
Less : Excise Duty .....			<b>161.44</b>		135.38
Sales and Operating Income (Net) .....				<b>5,809.60</b>	4,034.42
2. Other Income .....	2	96		<b>97.75</b>	83.35
3. TOTAL INCOME .....				<b>5,907.35</b>	4,117.77
<b>EXPENDITURE</b>					
4. Manufacturing and Other Expenses .....	3	96	<b>4,799.06</b>		3,277.91
5. Employee Separation Compensation Amortised .....			<b>3.89</b>		4.69
6. Borrowing Costs (net) .....	4	97	<b>82.39</b>		50.48
			<b>4,885.34</b>		3,333.08
7. Depreciation .....			<b>273.88</b>		184.04
8. TOTAL EXPENDITURE .....				<b>5,159.22</b>	3,517.12
<b>PROFIT BEFORE TAX</b> .....				<b>748.13</b>	600.65
<b>9. PROVISION FOR TAX</b>					
(a) Current .....			<b>229.72</b>		187.74
(b) Deferred .....			<b>5.32</b>		(20.95)
(c) Fringe Benefit Tax .....			<b>5.05</b>		5.52
				<b>240.09</b>	172.31
<b>PROFIT AFTER TAX</b> .....				<b>508.04</b>	428.34
10. BALANCE BROUGHT FORWARD .....				<b>844.50</b>	623.85
<b>11. AMOUNT AVAILABLE FOR APPROPRIATIONS</b>				<b>1,352.54</b>	1,052.19
<b>12. APPROPRIATIONS :</b>					
(a) Proposed Dividend .....				<b>172.08</b>	150.57
(b) Tax on Dividend .....				<b>29.25</b>	21.12
(c) General Reserve .....				<b>45.00</b>	36.00
(d) Balance carried to Balance Sheet .....				<b>1,106.21</b>	844.50
				<b>1,352.54</b>	1,052.19
13. EARNINGS PER SHARE (Rupees) .....	(a)	Basic		<b>23.62</b>	19.91
[Note 4, page 109] .....	(b)	Diluted		<b>20.93</b>	17.80
14. Notes on the Balance Sheet and Profit and Loss Account .....	N	105			

As per our report attached

For S. B. BILLIMORIA & CO.  
Chartered Accountants,  
N. VENKATRAM  
Partner.

For N. M. RAIJI & CO.  
Chartered Accountants,  
J. M. GANDHI  
Partner.

For and on behalf of the Board

R. N. TATA  
R. GOPALAKRISHNAN  
H. R. KHUSROKHAN  
P. K. GHOSE  
S. D. JAIN

Chairman  
Vice-Chairman  
Managing Director  
Chief Financial Officer  
Company Secretary

Mumbai, 30th May, 2007

Mumbai, 30th May, 2007

**Tata Chemicals Limited**
**Consolidated Cash Flow Statement for the period ended 31st March, 2007**

	Rupees in crores 2006-07	Rupees in crores 2005-06
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax .....	748.13	600.65
Adjustments for :		
Employee separation compensation .....	3.89	4.69
Depreciation .....	273.88	184.04
Interest expense - (net) .....	94.39	31.23
Amortisation of capital grant .....	(2.74)	(1.61)
Profit on sale of investments - (net) .....	(3.21)	(4.23)
Investment income .....	(91.95)	(53.55)
Provision for doubtful debts and advances .....	(3.76)	(2.78)
Reduction in carrying cost of current investments .....	0.89	-
Lease rent charged .....	3.01	2.96
Loss on assets sold or discarded .....	4.48	0.40
Exchange differences (including on consolidation) .....	(57.38)	13.62
<b>Operating Profit before Working Capital Changes .....</b>	<b>969.63</b>	<b>775.42</b>
Adjustments for :		
Trade and other receivables .....	(200.40)	(175.22)
Inventories .....	63.15	(88.85)
Trade payables and other liabilities .....	298.47	(248.02)
Payment towards employee separation compensation .....	(1.28)	(11.05)
<b>Cash Generated from Operations .....</b>	<b>1,129.57</b>	<b>252.28</b>
Taxes paid .....	(214.42)	(87.49)
<b>Net Cash from Operating Activities .....</b>	<b>915.15</b>	<b>164.79</b>
<b>B. Cash Flow from Investing Activities</b>		
Acquisition of fixed assets .....	(531.98)	(195.48)
Sale of fixed assets .....	11.61	6.18
Purchase of current investments - (net) .....	(227.89)	410.41
Purchase of other investments .....	(2.71)	(14.92)
Sale of other investments .....	5.14	-
Acquisitions of Subsidiaries .....	-	(817.95)
Acquisition of equity interest in Joint Venture .....	-	(166.26)
Interest received .....	1.69	18.39
Dividend received .....	90.58	51.95
<b>Net Cash used in Investing Activities .....</b>	<b>(653.56)</b>	<b>(707.68)</b>

## Consolidated Cash Flow Statement for the period ended 31st March, 2007 (Contd.)

	Rupees in crores 2006-07	Rupees in crores 2005-06
<b>C. Cash Flow from Financing Activities</b>		
Repayment of borrowings .....	<b>(453.76)</b>	(109.24)
Proceeds of borrowings .....	<b>500.88</b>	211.24
Interest paid .....	<b>(92.29)</b>	(52.70)
Principal payments on capital lease obligations .....	<b>(10.25)</b>	(1.59)
Lease rent paid .....	<b>(2.99)</b>	(2.98)
Dividends paid including distribution tax .....	<b>(171.57)</b>	(158.93)
<b>Net Cash used in Financing Activities</b> .....	<b>(229.98)</b>	(114.20)
Net Increase/ (Decrease) in Cash and Cash equivalents ....	<b>31.61</b>	(657.09)
Cash and Cash equivalents as at 1st April ..... (Opening Balance)	<b>116.47</b>	751.67
Add: Cash and bank balance taken over on acquisition ....	-	21.59
Effects of foreign exchange rates on cash .....	<b>6.38</b>	0.30
Cash and Cash equivalents as at 31st March ..... (Closing Balance)	<b>154.46</b>	116.47

As per our report attached

For S. B. BILLIMORIA & CO. For N. M. RAIJI & CO.  
Chartered Accountants, Chartered Accountants,

N. VENKATRAM J. M. GANDHI  
Partner. Partner.

Mumbai, 30th May, 2007

For and on behalf of the Board

R. N. TATA *Chairman*  
R. GOPALAKRISHNAN *Vice-Chairman*  
H. R. KHUSROKHAN *Managing Director*

P. K. GHOSE *Chief Financial Officer*  
S. D. JAIN *Company Secretary*

Mumbai, 30th May, 2007

**Tata Chemicals Limited**
**Schedules forming part of the Consolidated Profit and Loss Account**
**Schedule 1 : Sales and Operating Income**

[Item No.1, page 93]

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>1. Sales and services:</b>			
(a) Sales .....	5,915.23		4,098.01
(b) Processing charges .....	9.42		35.09
		<b>5,924.65</b>	<b>4,133.10</b>
<b>2. Operating income:</b>			
(a) Town income .....	1.49		1.35
(b) Liabilities no longer required - written back .....	16.94		-
(c) Insurance claims .....	4.90		0.07
(d) Miscellaneous income .....	23.06		35.28
		<b>46.39</b>	<b>36.70</b>
		<b>5,971.04</b>	<b>4,169.80</b>

**Schedule 2 : Other Income**

[Item No.2, page 93]

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>1. Income from Long Term Investments (Gross):</b>			
(a) Dividend income .....		64.60	27.22
(b) Profit on sale of investments .....		2.42	-
		<b>67.02</b>	<b>27.22</b>
<b>2. Income from Current Investments:</b>			
(a) Dividend income .....	25.98		24.73
(b) Interest income .....	1.37		1.60
(c) Profit / (Loss) on sale of investments (net) .....	0.79		4.23
(d) Changes in carrying amount of current investments .....	(0.89)		-
		<b>27.25</b>	<b>30.56</b>
<b>3. Interest on Refund of Taxes .....</b>		<b>3.48</b>	<b>25.57</b>
		<b>97.75</b>	<b>83.35</b>

**Schedule 3 : Manufacturing and Other Expenses**

[Item No.4, page 93]

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>1. Raw materials consumed: .....</b>		1,932.01	1,466.02
<b>2. Cost of traded goods purchased .....</b>		407.12	461.86
<b>3. Payments to and provisions for employees:</b>			
(a) Wages and salaries (including bonus) .....	312.84		141.68
(b) Company's contribution to provident, superannuation and gratuity funds @ .....	(0.72)		(15.01)
(c) Company's contribution under group insurance scheme .....	0.03		0.02
(d) Workmen and staff welfare expenditure .....	35.88		22.17
		<b>348.03</b>	<b>148.86</b>



## Schedules forming part of the Consolidated Profit and Loss Account (Contd.)

### Schedule 3 : Manufacturing and Other Expenses (Contd.)

[Item No.4, page 93]

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>4. Operation and other expenses:</b>			
(a) Stores and spare parts consumed .....	90.39		92.67
(b) Packing material consumed .....	154.07		112.97
(c) Power and fuel .....	763.96		422.29
(d) Repairs - Buildings .....	10.12		4.12
- Machinery .....	174.16		71.30
- Others .....	6.14		2.66
(e) Rent .....	60.24		20.46
(f) Royalty, rates and taxes .....	20.39		9.71
(g) Excise duty adjustments for stocks .....	(0.13)		4.92
(h) Commission and distributors' service charges / discount .....	59.27		67.36
(i) Sales promotion expenses .....	37.87		46.65
(j) Insurance charges .....	24.05		14.22
(k) Freight and forwarding charges .....	460.29		311.22
(l) Lease rent .....	3.01		2.96
(m) Loss on assets sold or discarded (net) .....	4.48		0.40
(n) Provision for doubtful debts and advances - written back (net) .....	(3.76)		(2.78)
(o) Other expenses .....	223.03		120.35
	<b>2,087.58</b>		1,301.48
Less: Expenditure transferred to capital account .....	0.09		1.23
		<b>2,087.49</b>	1,300.25
<b>5. Directors' fees / commission .....</b>		<b>2.94</b>	2.31
		<b>4,777.59</b>	3,379.30
<b>6. Change in inventory of semi finished and finished products and work-in-process: .....</b>		<b>21.47</b>	(101.39)
		<b>4,799.06</b>	3,277.91

@ Net of write back of an amount of **Rs. 40.53 crores** (previous year Rs. 31.35 crores) of pension liabilities in an overseas subsidiary, consequent to actuarial valuation

### Schedule 4 : Borrowing Cost (net)

[Item No.6, page 93]

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>1. Interest paid on:</b>			
(a) Debentures and fixed loans .....	55.94		17.65
(b) Other loans .....	38.40		30.53
		<b>94.34</b>	48.18
<b>2. Interest received on:</b>			
(a) Inter-corporate loans and bank deposits .....	0.01		11.85
(b) Other advances .....	1.82		5.10
		<b>1.83</b>	16.95
Net Interest Cost (1-2) .....		<b>92.51</b>	31.23
<b>3. Discounting charges .....</b>		<b>1.88</b>	-
<b>4. Foreign exchange (gain)/loss .....</b>		<b>(12.00)</b>	19.25
		<b>82.39</b>	50.48

### Notes on the Profit and Loss Account

	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
<b>1. Item 2(d) of Schedule 1</b>			
Miscellaneous income Rs. 23.06 crores (previous year Rs. 35.28 crores) includes :			
Exchange gain on foreign currency transactions (net)		5.96	21.80
<b>2. Item 4(o) of Schedule 3</b>			
Other expenses of Rs. 223.03 crores (previous year Rs. 120.35 crores)			
Exchange loss on foreign currency transactions (net)		5.21	-

**Tata Chemicals Limited**
**Schedules forming part of the Consolidated Balance Sheet**
**Schedule A : Share Capital**

[Item No.1(a), page 92]

	Rupees in crores	As at 31-Mar-06 Rupees in crores
<b>1. Authorised:</b>		
27,00,00,000 Ordinary Shares of Rs.10 each .....	<b>270.00</b>	270.00
(previous year 27,00,00,000 Ordinary Shares of Rs.10 each)	<u>270.00</u>	<u>270.00</u>
<b>2. Issued:</b>		
21,51,88,971 Ordinary Shares of Rs.10 each .....	<b>215.18</b>	215.18
(previous year 21,51,88,971 Ordinary Shares of Rs.10 each)	<u>215.18</u>	<u>215.18</u>
<b>3. Subscribed:</b>		
21,51,02,651 Ordinary Shares of Rs.10 each .....	<b>215.10</b>	215.10
(previous year 21,51,02,651 Ordinary Shares of Rs.10 each)	<u>215.10</u>	<u>215.10</u>
<b>4. Forfeited Shares:</b>		
Amount paid-up on 86,320 shares .....	<b>0.06</b>	0.06
(previous year 86,320 Shares)	<u>0.06</u>	<u>0.06</u>
	<b>215.16</b>	215.16
	<u>215.16</u>	<u>215.16</u>

**Schedule B : Reserves and Surplus**

[Item No.1(b), page 92]

	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
<b>1. Capital reserve:</b>			
Balance as per last account .....		<b>0.66</b>	0.66
<b>2. Capital redemption reserve:</b>			
Balance as per last account .....		<b>0.10</b>	0.10
<b>3. Surplus on amalgamation:</b>			
Balance as per last account .....		<b>20.75</b>	20.75
<b>4. Securities premium:</b>			
(a) Balance as per last account .....	<b>178.32</b>		181.11
(b) Add / (Less) : Provision for premium on redemption of FCCBs ... [Note 9(b), page 113]	<b>3.57</b>		(2.79)
		<b>181.89</b>	178.32
<b>5. Foreign currency translation reserve:</b>			
(a) Balance as per last account .....	<b>(32.35)</b>		-
(b) Add : Adjustment during the period .....	<b>53.12</b>		(32.35)
		<b>20.77</b>	(32.35)
<b>6. General reserve:</b>			
(a) Balance as per last account .....	<b>746.75</b>		710.75
(b) Less : Employee benefits [Note 7 (i), page 111] .....	<b>(10.93)</b>		-
(c) Add : Transferred from Profit and Loss Account .....	<b>45.00</b>		36.00
		<b>780.82</b>	746.75
<b>7. Debenture redemption reserve:</b>			
Balance as per last account .....		<b>245.46</b>	245.46
<b>8. Balance in Profit and Loss Account .....</b>		<b>1,106.21</b>	844.50
		<b>2,356.66</b>	2,004.19
		<u>2,356.66</u>	<u>2,004.19</u>

## Schedules forming part of the Consolidated Balance Sheet (Contd.)

### Schedule C : Loans - Secured [Item No.2(a), page 92]

	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
1. From Banks :			
(a) Cash Credits .....	27.30		23.88
(b) Term Loans .....	801.44		390.76
		828.74	414.64
2. From Financial Institutions - Term Loans .....		33.33	47.31
		862.07	461.95

Amount repayable within one year **Rs.50.35 crores** (previous year Rs. 200.10 crores) excluding Cash Credit

#### Notes :

- (a) Loans from Banks on Cash Credit accounts under item 1(a) are secured by hypothecation of all stocks of raw materials, finished products, stores and work-in-process as well as book debts.
- (b) Item 2 represents Rs. 33.33 crores being interest - free loan under Sales Tax Deferment Scheme from Pradeshiya Industrial and Investment Corporation of Uttar Pradesh, which is secured by second charge on the Company's properties at Babrala.
- (c) Term loans from banks of Rs. 801.44 crores (previous year Rs. 301.52 crores) included in item 1(b) relating to subsidiary companies is secured against certain movable and immovable assets of the subsidiary companies.

### Schedule D : Loans - Unsecured [Item No.2(b), page 92]

	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
1. Foreign Currency Convertible Bonds [Note 9, page 113] .....		652.20	669.30
2. From Banks / Others .....		349.93	696.44
		1,002.13	1,365.74

**Tata Chemicals Limited**
**Schedules forming part of the Consolidated Balance Sheet (Contd.)**
**Schedule E : Fixed Assets**

[Item No.6, page 92]

Fixed Assets (At Cost)	Rs. in crores									
	Gross Block as at 31-Mar-06	Additions / Adjustments@	Deductions / Adjustments	Exchange Difference	Gross Block as at 31-Mar-07	Depreciation for 2006-07	Exchange Difference	Total Depreciation 31-Mar-07	Impairment	Net Block as at 31-Mar-07
<b>1. Land :</b>										
(a) Freehold .....	70.04	0.48	0.28	6.45	76.69	-	-	-	0.16	76.53
	7.58	63.71	1.25	-	70.04	-	-	-	0.16	69.88
(b) Leasehold .....	19.67	-	0.70	0.47	19.44	0.37	0.29	5.69	-	13.75
	15.02	4.66	0.01	-	19.67	0.19	-	5.43	-	14.24
<b>2. Works :</b>										
(a) Saltworks, Reservoirs and Pans .....	37.44	4.73	3.06	0.45	39.56	6.24	0.39	31.49	-	8.07
	26.26	11.22	0.04	-	37.44	1.64	-	27.80	-	9.64
(b) Plant and Machinery	3,992.27	633.99	26.48	133.07	4,732.85	233.62	75.01	2,478.24	96.36	2,158.25
	2,557.94	1,473.35	39.02	-	3,992.27	164.20	-	2,187.78	96.36	1,708.13
(c) Traction Lines and Railway Sidings .....	43.64	119.62	1.49	2.92	164.69	6.49	1.05	30.58	0.28	133.83
	21.83	30.59	8.78	-	43.64	1.54	-	23.78	0.28	19.58
(d) Buildings .....	360.59	16.99	2.53	15.46	390.51	11.15	8.35	162.18	8.85	219.48
	191.51	169.23	0.15	-	360.59	8.60	-	143.87	8.85	207.87
<b>3. Town .....</b>	<b>192.09</b>	<b>1.87</b>	<b>3.41</b>	<b>2.77</b>	<b>193.32</b>	<b>3.30</b>	<b>1.80</b>	<b>50.75</b>	<b>-</b>	<b>142.57</b>
	164.47	27.90	0.28	-	192.09	2.96	-	47.91	-	144.18
<b>4. Water Works .....</b>	<b>8.31</b>	<b>-</b>	<b>0.49</b>	<b>-</b>	<b>7.82</b>	<b>0.13</b>	<b>-</b>	<b>6.68</b>	<b>-</b>	<b>1.14</b>
	8.31	-	-	-	8.31	0.13	-	6.97	-	1.34
<b>5. Furniture, Fitting and Office Equipment .....</b>	<b>85.90</b>	<b>33.33</b>	<b>4.07</b>	<b>4.02</b>	<b>119.18</b>	<b>7.91</b>	<b>2.61</b>	<b>60.91</b>	<b>0.10</b>	<b>58.17</b>
	44.41	60.00	18.51	-	85.90	3.53	-	52.82	0.10	32.98
<b>6. Vehicles .....</b>	<b>35.70</b>	<b>7.69</b>	<b>7.45</b>	<b>1.42</b>	<b>37.36</b>	<b>4.57</b>	<b>0.92</b>	<b>23.34</b>	<b>0.11</b>	<b>13.91</b>
	26.37	16.27	6.94	-	35.70	1.25	-	23.51	0.11	12.08
<b>7. Patents (license fees), marks and rights .....</b>	<b>0.59</b>	<b>0.25</b>	<b>-</b>	<b>-</b>	<b>0.84</b>	<b>0.10</b>	<b>-</b>	<b>0.10</b>	<b>-</b>	<b>0.74</b>
	-	0.59	-	-	0.59	-	-	-	-	0.59
<b>Total .....</b>	<b>4,846.24</b>	<b>818.95</b>	<b>49.96</b>	<b>167.03</b>	<b>5,782.26</b>	<b>273.88</b>	<b>90.42</b>	<b>2,849.96</b>	<b>105.86</b>	<b>2,826.44</b>
	3,063.70	1,857.52	74.98	-	4,846.24	184.04	-	2,519.87	105.86	2,220.51
<b>Capital work-in-progress .....</b>					<b>229.61</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>229.61</b>
(including advances for Capital Expenditure)					558.90	-	-	-	-	558.90
					<b>6,011.87</b>	<b>273.88</b>	<b>90.42</b>	<b>2,849.96</b>	<b>105.86</b>	<b>3,056.05</b>
					5,405.14	184.04	-	2,519.87	105.86	2,779.41

1. The figures in light print are for Previous Year.

@. Includes Rs. 1,740.79 crores in previous year on acquisition of subsidiaries / joint ventures.

## Schedules forming part of the Consolidated Balance Sheet (Contd.)

### Schedule F : Investments

[Item No.8, page 92]

	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores	As at 31-Mar-06 Rupees in crores
<b>A. LONG TERM INVESTMENTS</b>				
<b>Trade Investments :</b>				
1. Fully paid Ordinary/Equity Shares (Quoted) .....		<b>136.02</b>		133.31
2. Fully paid Ordinary/Equity Shares (Unquoted) .....		<b>147.19</b>		147.19
3. Fully paid Cumulative Redeemable Preference Shares (Unquoted) .....		<b>45.00</b>		47.72
<b>TOTAL</b> .....		<b>328.21</b>		328.22
Less: Provision for diminution in value of investments .....		<b>0.25</b>		0.25
<b>TOTAL LONG TERM INVESTMENTS (net)</b> .....		<b>327.96</b>		327.97
<b>B. CURRENT INVESTMENTS</b>				
1. Quoted Equity Shares, Fully Paid .....		*		*
2. Unquoted Equity Shares, Fully Paid .....		<b>0.25</b>		0.25
3. Quoted Bonds/units .....		<b>23.55</b>		17.01
4. Unquoted units .....		<b>0.12</b>		0.12
5. Mutual Funds (Unquoted) .....		<b>423.38</b>		202.13
<b>TOTAL CURRENT INVESTMENTS</b> .....		<b>447.30</b>		219.51
<b>TOTAL INVESTMENTS</b> .....		<b>775.26</b>		547.48

	Book Value Rupees in crores	Market Value Rupees in crores	Book Value Rupees in crores	Market Value Rupees in crores
<b>Aggregate of Quoted Investments</b> .....	<b>159.32</b>	<b>1,190.98</b>	150.07	1,299.08
<b>Aggregate of Unquoted Investments</b> .....	<b>615.94</b>		397.41	

\* value below Rs.50,000/-

**Tata Chemicals Limited**
**Schedules forming part of the Consolidated Balance Sheet (Contd.)**
**Schedule G : Inventories**

(at lower of cost and net realisable value)

[Item No.10 (a), page 92]

	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
1. Stores and spare parts .....		145.71	147.43
2. Stock-in-Trade :			
(a) Raw materials .....	215.49		260.66
(b) Work-in-process .....	9.73		8.12
(c) Semi-finished and finished products .....	264.24		282.11
		<u>489.46</u>	<u>550.89</u>
		<u>635.17</u>	<u>698.32</u>

**Schedule H : Sundry Debtors**

[Item No.10 (b), page 92]

(unsecured)

	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
1. Over six months old :			
- Considered good .....	230.59		106.30
- Considered doubtful .....	26.07		29.87
		<u>256.66</u>	<u>136.17</u>
2. Others considered good .....		<u>735.90</u>	<u>659.24</u>
		<u>992.56</u>	<u>795.41</u>
Less : Provision for doubtful debts .....		<u>26.07</u>	<u>29.87</u>
		<u>966.49</u>	<u>765.54</u>

**Schedule I : Cash and Bank Balances**

[Item No.10 (c), page 92]

	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
1. Cash on hand .....		0.09	1.05
2. Balance with banks in			
(a) Current accounts .....	130.69		98.65
(b) Deposit accounts .....	23.68		16.77
		<u>154.37</u>	<u>115.42</u>
		<u>154.46</u>	<u>116.47</u>

## Schedules forming part of the Consolidated Balance Sheet (Contd.)

### Schedule J : Loans and Advances

[Item No.10 (d), page 92]  
(unsecured)

	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
1. Deposits with Customs, Port Trusts, Excise Authorities and other Public Bodies .....		26.46	39.83
2. Advance payment of taxes (net of provision) .....		44.88	68.50
3. Interest accrued on Investments .....		0.66	0.52
4. Other advances			
- Considered good .....	186.18		163.84
- Considered doubtful .....	1.37		6.57
	<b>187.55</b>		170.41
Less: Provision for doubtful advances .....	1.37		6.57
		<b>186.18</b>	163.84
		<b>258.18</b>	272.69

### Schedule K : Current Liabilities

[Item No.11 (a), page 92]

	Rupees in crores	Rupees in crores	As at 31-Mar-06 Rupees in crores
1. Acceptances .....		193.78	-
2. Sundry creditors .....		903.06	815.99
3. Sundry deposits .....		24.55	20.17
4. Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 (not due as on 31.03.2007) :			
(a) Unclaimed dividend .....	7.10		6.98
(b) Unclaimed debentures and interest .....	1.22		1.48
(c) Unclaimed fixed deposits and interest .....	-		0.01
		<b>8.32</b>	8.47
5. Interest accrued but not due on loans .....		18.77	14.84
		<b>1,148.48</b>	859.47

**Tata Chemicals Limited**

**Schedules forming part of the Consolidated Balance Sheet (Contd.)**

**Schedule L : Provisions**

[Item No.11 (b), page 92]

	Rupees in crores	As at 31-Mar-06 Rupees in crores
1. Proposed dividend .....	<b>172.08</b>	150.57
2. Tax on dividend .....	<b>29.25</b>	21.12
3. Provision for premium on redemption of FCCBs ..... [Note No. 10, page113]	<b>136.25</b>	139.82
4. Provision for taxes (net) .....	<b>53.37</b>	56.64
5. Provision for employee benefits .....	<b>382.31</b>	366.56
	<b>773.26</b>	734.71

**Schedule M : Miscellaneous Expenditure**

[Item No.13, page 92]

(to the extent not written off or adjusted)

	Rupees in crores	As at 31-Mar-06 Rupees in crores
Employee separation scheme .....	<b>3.70</b>	7.02
[Note 19, page 115]	<b>3.70</b>	7.02



## Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account

### 1. Basis of Consolidation

The consolidated financial statements relate to Tata Chemicals Limited (the Company), its subsidiary companies and joint ventures. The company, its subsidiaries and joint ventures constitute the Group.

#### (a) Basis of Accounting :

- i. The financial statements of the subsidiary companies and Joint ventures used in the consolidation are drawn upto the same reporting date as of the Company, i.e. for the year ended 31st March, 2007.
- ii. The financial statements of the Group have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, and other generally accepted accounting principles.

#### (b) Principles of Consolidation:

The consolidated financial statements have been prepared on the following basis:

- i. The financial statements of the Company and its subsidiary Companies have been combined on a line- by- line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions and resulting unrealised profit and losses as per Accounting Standard 21-Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- ii. Interests in joint ventures have been accounted by using the proportionate consolidation method as per Accounting Standard 27- Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India. The intra-group balances and intra group transactions and unrealised profits and losses are eliminated to the extent of the Company's proportionate share.
- iii. The excess of the cost to the company of its investment in subsidiaries and joint ventures over the Company's portion of equity as at the dates on which the investment in subsidiary companies and joint ventures is made is recognised in the financial statements as "Goodwill on Consolidation".
- iv. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Company for its separate financial statements. Differences if any, in accounting policies have been disclosed separately.
- v. The operations of the Company's subsidiaries and joint ventures are considered as non-integral operations for the purpose of consolidation.

#### (c) Particulars of subsidiaries and joint ventures:

Name of the Company	Country of Incorporation	Percentage of Voting power as at 31st March, 2007
<b>Subsidiaries (held directly)</b>		
Homefield International Pvt. Limited	Mauritius	100%
<b>Subsidiaries (Indirect)</b>		
Homefield Pvt. UK Limited	United Kingdom	100%
Brunner Mond Group Limited	United Kingdom	100%
Brunner Mond (UK) Limited	United Kingdom	100%
Brunner Mond Limited	United Kingdom	100%
The Magadi Soda Company Limited	Kenya	100%
Brunner Mond (South Africa) Pty Limited	South Africa	100%
Brunner Mond Asset Management Limited, UK (up to 19th December, 2006)	United Kingdom	100%
Northwich Resource Management Limited	United Kingdom	100%
Brunner Mond Trustees Limited, UK (up to 19th December, 2006)	United Kingdom	100%
Brunner Mond Nominees Limited, UK (up to 19th December, 2006)	United Kingdom	100%
Brunner Mond Generation Limited	United Kingdom	100%
Transcontinental Holdings Limited	United Kingdom	100%
Transcontinental Sales Limited, UK (up to 19th December, 2006)	United Kingdom	100%

**Tata Chemicals Limited**
**Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account (Contd.)**

<b>Particulars of subsidiaries and joint ventures:</b>		
<b>Name of the Company</b>	<b>Country of Incorporation</b>	<b>Percentage of Voting power as at 31st March, 2007</b>
Pampascrown Limited, UK (up to 19th December, 2006)	United Kingdom	100%
Brunner Mond Soda Holdings Limited, UK (up to 22nd June, 2006)	United Kingdom	100%
Brunner Mond CHP Limited, UK (up to 19th December, 2006)	United Kingdom	100%
Magadi Railway Company Limited	Kenya	100%
Brunner Mond B.V.	Netherlands	100%
<b>Joint Ventures</b>		
Indo Maroc Phosphore S.A. (IMACID)	Morocco	33.33%
Kemax B.V.	Netherlands	49.99%

**2. Significant Accounting Policies :**
**(a) Basis of Accounting**

The accounts of the Company are prepared under the Historical Cost Convention using the accrual method of accounting.

**(b) Fixed Assets**

Fixed Assets are carried at cost less depreciation and impairment loss. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date of commissioning of the assets and other incidental expenses incurred up to that date. Machinery spares whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of asset.

Fixed Assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost.

**(c) Capital Work-in-Progress**

Projects under commissioning and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

**(d) Foreign Currency Transactions**

(i) Purchases and sales in foreign currency are accounted at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currency as at the Balance Sheet date are translated at rates prevailing at the year end and the resultant net gains or losses are recognised as income or expense in the year in which they arise, except that:

- (a) In respect of liabilities for the acquisition of fixed assets in India from a country outside India, such exchange rate difference is adjusted in the carrying cost of fixed assets;
- (b) on consolidation of non-integral foreign operations, the assets, liabilities and goodwill or capital reserve arising on acquisition of the company's overseas operations are translated at the exchange rate prevailing on the Balance Sheet date and items of income and expenditure are translated at the average exchange rate for the period. Exchange differences arising on consolidation are recognised in the Foreign Exchange Translation Reserve until the disposal of the net investment.

(ii) Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contract. Foreign currency options outstanding at the Balance Sheet date are stated at fair value and any gains or losses are recognised in the Profit and Loss Account.

**(e) Deferred Capital Grants**

Government grants relating to tangible fixed assets are treated as deferred income and included in the Profit and Loss account over the expected useful life of the assets concerned.

**(f) Investments**

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

## Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

### (g) Inventories

Inventories are valued at lower of cost (on weighted average basis) and net realisable value after providing for obsolescence and other losses, where considered necessary. Work in process, semi-finished and finished products include appropriate proportion of overheads and, where applicable, excise duty.

### (h) Employee Separation Compensation

- (i) Compensation paid / payable to employees who have opted for retirement under the "Voluntary Retirement Scheme" / "Early Separation Scheme" is amortised over the period for which benefit is expected.
- (ii) Liability under "Early Separation Scheme" is computed and accounted at Net Present Value.

### (i) Sales

Sales are recognised, net of returns and trade discounts, on despatch of goods to customers. Sales tax and Value Added Tax are excluded. In respect of Urea, sales are recognised based on provisional rates of group concession as notified under the New Pricing Scheme. Equated freight claims and escalation claims for Urea sales are estimated by the Management based on the norms prescribed or notified under the said Scheme. In case of complex fertilisers, other than traded goods, sales include price concession, as notified under the Concession Scheme, or as estimated by the Management based on the norms prescribed. In case of traded complex fertilisers, revenues are accounted to the extent they are recoverable under the terms of contract with vendors.

### (j) Other Income

Interest income is accounted on an accrual basis. Dividend income is accounted for when the right to receive income is established.

### (k) Research and Development Expenses

Revenue expenditure pertaining to Research and Development is charged to the Profit and Loss Account. Expenditure on fixed assets used in Research and Development is capitalised.

### (l) Depreciation

- (i) Depreciation on fixed assets is provided on the straight line method over the useful life estimated by the Management or on the basis of depreciation rates prescribed under respective domestic laws, whichever is higher.
- (ii) Leasehold land is amortised over the duration of the lease.

### (m) Impairment of Assets

Impairment is ascertained at each Balance Sheet date in respect of Cash Generating Units. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

### (n) Employee Benefits

- (i) Post-employment benefit plans

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

- (ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave and performance incentives.

**Tata Chemicals Limited**
**Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account (Contd.)**

The cost of compensated absences is accounted as under -

- (a) in case of accumulated compensated absences, when employees render service that increase their entitlement of future compensated absences; and
- (b) in case of non - accumulating compensated absence when the absences occur.
- (iii) In respect of overseas subsidiary, the pension scheme liabilities are based upon the liabilities determined on the basis of actuarial valuation. Actuarial gains and losses are recognised in the Profit and Loss Account.

**(o) Taxes on Income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961, except for the overseas subsidiaries and joint ventures where current tax provision is determined based on the local tax laws. Deferred tax is recognised for all timing differences, subject to the consideration of prudence, applying the tax rates that have been substantively enacted by the Balance Sheet date.

**(p) Provisions and Contingencies**

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent assets and liabilities are not recognised.

**(q) Goodwill on Consolidation**

Goodwill on consolidation represents the difference between the Group's share in the net worth of the investee company at the time of acquisition and the cost of investment made. The said goodwill is not amortised, however, it is tested for impairment at each Balance Sheet date and impairment loss, if any, is provided for.

**3. Segment Information for the year ended 31st March, 2007 :**
**(a) Information about Primary Business Segments**

(Rs. in crores)

	Inorganic Chemicals		Fertilisers		Elimination		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
<b>Revenue :</b>								
External (Net of Excise)	3,151.33	1,689.55	2,658.27	2,328.52	-	-	5,809.60	4,018.07
Inter-segment	-	-	-	-	-	-	-	-
Total Revenue	3,151.33	1,689.55	2,658.27	2,328.52	-	-	5,809.60	4,018.07
<b>Result :</b>								
Segment Result	532.26	386.32	272.76	241.25	-	-	805.02	627.57
Unallocated Income net of Unallocated Expenditure							25.50	23.56
Borrowing Costs (net)							(82.39)	(50.48)
<b>Profit before Tax</b>							<b>748.13</b>	<b>600.65</b>
Provision for Tax							(240.09)	(172.31)
<b>Profit After Tax</b>							<b>508.04</b>	<b>428.34</b>

**Other Information :**

(Rs. in crores)

	Inorganic Chemicals		Fertilisers		Unallocated		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Segment Assets	3,728.33	3,299.66	1,975.27	1,970.81	966.51	717.57	6,670.11	5,988.04
Segment Liabilities	1,025.20	1,216.27	292.04	237.13	604.50	140.78	1,921.74	1,594.18
Capital Expenditure	429.21	172.29	41.75	17.22	18.70	2.24	489.66	191.75
Depreciation	162.81	77.88	109.03	105.31	2.04	0.85	273.88	184.04

## Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

### (b) Information about Secondary Geographical Segments Revenue by geographical market

(Rs. in crores)

	India		Asia (other than India)		Europe		Africa		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
External	4,073.73	3,585.77	195.79	106.89	1,349.57	289.37	190.51	36.04	5,809.60	4,018.07
Inter- segment	-	-	-	-	-	-	-	-	-	-
Total	4,073.73	3,585.77	195.79	106.89	1,349.57	289.37	190.51	36.04	5,809.60	4,018.07
Segment Assets	3,785.29	3,557.30	19.80	7.10	1,852.21	1,613.21	1,012.81	810.43	6,670.11	5,988.04
Capital Expenditure	119.64	132.55	-	-	115.19	50.52	254.83	8.68	489.66	191.75

### (c) Notes:

- (i) Management has identified two reportable business segments, namely :
  - Inorganic Chemicals : - comprising of Soda Ash, Salt, Marine Chemicals, Caustic Soda, Cement and Bulk Chemicals.
  - Fertilisers : - comprising of Urea, Phosphatic Fertilisers and other agricultural inputs.
 Segments have been identified and reported taking into account the nature of products, the integration of manufacturing processes, the organisation structure and the internal financial reporting systems.
- (ii) The Segment Revenue in the geographical segments considered for disclosure are as follows :
  - India : comprising of sales to customers located within India and earnings in India.
  - Asia (other than India) : comprising of sales to customers located in Asia.
  - Europe : comprising of sales to customers located in Europe.
  - Africa : comprising of sales to customers located in Africa
- (iii) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

### 4. Earnings per Share :

		2006-07	2005-06
(a) Profit after tax	Rs. in crores	<b>508.04</b>	428.34
(b) The weighted average number of equity shares of Rs.10 each Total number of shares	Nos.	<b>21,51,02,651</b>	21,51,02,651
(c) Earning Per Share (Basic)	Rupees	<b>23.62</b>	19.91
(d) Profit after tax for Basic EPS	Rs. in crores	<b>508.04</b>	428.34
(e) Add: Borrowing cost for Foreign Currency Convertible Bonds (net of tax)	Rs. in crores	<b>1.50</b>	5.08
(f) Profit after tax for Diluted EPS	Rs. in crores	<b>509.54</b>	433.42
(g) The weighted average number of equity shares for Basic EPS	Nos.	<b>21,51,02,651</b>	21,51,02,651
(h) Add: Adjustments for Foreign Currency Convertible Bonds	Nos.	<b>2,83,71,176</b>	2,83,71,176
(i) The weighted average number of equity shares for Diluted EPS	Nos.	<b>24,34,73,827</b>	24,34,73,827
(j) Earning Per Share (Diluted)	Rupees	<b>20.93</b>	17.80

**Tata Chemicals Limited**
**Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account (Contd.)**
**5. Related Party Disclosure :**
**(a) Related Parties and their relationship**
**Joint Ventures**

Indo Maroc Phosphore S. A., Morocco  
 Kemex B.V., Netherlands  
 (indirectly through Brunner Mond  
 Group Limited, UK )

**Key Management Personnel**

Mr. Prasad R. Menon, Director  
 (Managing Director up to 15th October, 2006)  
 Mr. Homi Khusrokhani, Managing Director  
 (w.e.f. 16th October, 2006, Executive Director up to  
 15th October, 2006)

**(b) Transactions with the related parties**
**(Rs. in crores)**

	Joint Venture - Kemex B. V., Netherlands	Joint Venture - Indo Maroc Phosphore S. A., Morocco	Key Management Personnel - Mr. Prasad R. Menon	Total
Purchase of goods (includes stock in transit)	-	205.35	-	205.35
	-	208.26	-	208.26
Amount Received (in respect of loans)	-	-	0.16	0.16
	-	-	0.01	0.01
Amount Payable (in respect of goods purchased)	-	33.74	-	33.74
	-	13.75	-	13.75
Amount receivable in respect of loans	1.15	-	-	1.15
	-	-	0.16	0.16
Amount payable in respect of loans	-	-	-	-
	1.89	-	-	1.89
Provision / (Receipt) of management services	(9.49)	-	-	(9.49)
	-	-	-	-
Loans given	4.07	-	-	4.07
	-	-	-	-
Amounts received / receivable on account of any Management Contracts including for deputation of employees	-	0.36	-	0.36
	-	-	-	-

The figures in light print are for previous year.

**6. Deferred Taxes :**
**The significant component and classification of deferred tax assets and liabilities on account of timing differences are:**
**(Rs. in crores)**

	As at 31-Mar-2007	As at 31-Mar-2006
<b>Deferred Tax Assets :</b>		
Provision for doubtful debts and advances	8.51	9.69
Provision for Pension	102.02	107.38
	<b>110.53</b>	117.07
<b>Deferred Tax Liability :</b>		
Depreciation	315.85	341.09
Other timing differences	28.34	5.31
	<b>344.19</b>	346.40
Net deferred tax liability	<b>(233.66)</b>	(229.33)
Domestic deferred tax liability	<b>(291.22)</b>	(322.95)
Overseas deferred tax asset	<b>57.56</b>	93.62

## Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

### 7. Employee Benefit Obligations :

(i) The company has opted for an early adoption of the revised Accounting Standard ( AS-15) "Employee Benefits" issued by the Institute of Chartered Accountants of India wef 1st April 2006. In pursuance to the Accounting Standard 15-"Employee Benefits" the Company has adjusted an amount of Rs. 10.93 crores net of deferred tax credit of Rs. 5.55 crores against the opening balance of General Reserve as per the transition provision of the Standard. Further current year charge to the Profit and Loss Account is higher by Rs 3.19 crores.

(ii) The Company makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of Tata Chemicals Limited Provident Fund and the superannuation fund is administered by the Trustees of Tata Chemicals Limited Superannuation Fund. Under the schemes, the Company is required to contribute a specified percentage of salary cost to the retirement benefit schemes to fund the benefit.

The Rules of the Company's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared by the Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future.

On account of Defined Contribution Plans, a sum of **Rs. 10.84 crores** (previous year Rs. 9.49 crores) has been charged to the Profit and Loss Account.

In case of Brunner Mond Group Limited, a subsidiary, it operates pension arrangements in United Kingdom (UK), Netherlands and Africa. The UK and Netherlands arrangements, which are available to substantially all employees, are defined benefit schemes and the arrangements in Africa are defined contribution schemes.

On account of Defined Contribution Plans, a sum of Rs. 1.06 crores has been charged to the Profit and Loss Account.

(iii) The following tables set out the funded status and amounts recognised in the Company and its subsidiaries financial statements as at March 31, 2007 for the Defined Benefits Plans :

	(Rs. in crores)		
	Domestic Plans		Foreign Plans
	Gratuity	Post-employment medical benefits	
	As at 31-Mar-2007	As at 31-Mar-2007	As at 31-Mar-2007
<b>(a) Changes in the defined benefit obligation:</b>			
Projected defined benefit obligation, beginning of the year (1st April, 2006)	40.59	6.24	1,435.95
Current service cost	2.30	0.25	17.54
Interest cost	3.00	0.46	75.96
Actuarial (gain) / loss	1.61	(0.95)	(57.28)
Benefits paid	(2.16)	(0.12)	(6.09)
Exchange Variation	-	-	149.73
Projected defined benefit obligation, end of the year	<u>45.34</u>	<u>5.88</u>	<u>1,615.81</u>
<b>(b) Changes in the fair value of plan assets:</b>			
Fair value of plan assets, beginning of the year (1st April, 2006)	41.50	-	1,085.28
Expected return on plan assets	3.07	-	72.41
Employer's contributions	3.68	0.12	32.00
Actuarial gain / (loss)	(3.03)	-	(16.75)
Benefits paid	(2.16)	(0.12)	(6.09)
Exchange Variation	-	-	114.38
Fair value of plan assets, end of the year	<u>43.06</u>	<u>-</u>	<u>1,281.23</u>
Liability (net)	<u>2.28</u>	<u>5.88</u>	<u>334.58</u>

**Tata Chemicals Limited**
**Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account (Contd.)**
**(c) Net employee benefit expense (recognised in employee cost) for the year ended March 31, 2007**

(Rs. in crores)

	Domestic		Foreign Plans
	Gratuity	Post-employment medical benefits	
Current service cost	2.30	0.25	17.54
Interest defined benefit obligation	3.00	0.46	75.96
Expected return on plan assets	(3.07)	-	(72.41)
Net actuarial (gain) / loss recognised in the year	4.64	(0.95)	(40.53)
Net benefit expense	6.87	(0.24)	(19.44)
Actual return on plan assets	0.04	-	-

**(d) Categories of plan assets as a percentage of the fair value of total plan assets :**

	Domestic Plans		Foreign Plans	
	Gratuity			
	As at 31-Mar-2007	As at 31-Mar-2007	As at 31-Mar-2007	As at 31-Mar-2007
	Rs. in crores	%	Rs. in crores	%
Government of India Securities	19.79	46	-	-
Corporate Bonds	3.67	9	365.28	28
Special Deposit Scheme	11.61	27	-	-
Equity Shares of Listed Companies	0.84	2	802.75	63
Property	-	-	58.20	4
Insurer Managed Funds	3.68	9	-	-
Hedge Funds	-	-	50.46	4
Others	3.47	7	4.54	1
Total	43.06	100	1,281.23	100

**(e) Assumptions used in accounting for gratuity and post-employment medical benefit obligations :**

	Domestic Plans		Foreign Plans
	Gratuity	Post-employment medical benefits	
	31-Mar-2007	31-Mar-2007	
Discount rate	8.10%	8.10%	5.30%
Expected rate of return on assets	7.50%	NA	-
Increase in Compensation cost	10% p.a. for first 3 years & 7.50% p.a. thereafter	NA	NA
Healthcare cost increase rate	NA	6.00%	NA
Rate of increase in pension payment			
Limited Pension Increase (0%, 5%)	NA	NA	2.30%
Limited Pension Increase (0%, 2.5%)	NA	NA	5.30%
Inflation assumptions	NA	NA	3.10%

**(f) Effect of change in assumed health care cost trend rate**

(Rs. in crores)

	One percentage point increase	One percentage point increase
Effect on the aggregate of the service cost and interest cost	0.14	(0.12)
Effect on defined benefit obligation	1.10	(0.95)

(iv) The contribution expected to be made by the Company during the financial year 2007-08 has not been ascertained.



### Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

8. The proportionate share of assets, liabilities, income and expenditure of the Joint Ventures included in the consolidated financial statements are given below:

PARTICULARS	(Rs. in crores)			
	Indo Maroc Phosphore S.A.		Kemex B.V.	
	Morocco		Netherlands	
	33.33%		49.99%	
	2006-07	2005-06	2006-07	2005-06
<b>LIABILITIES</b>				
Loan Funds	18.92	69.79	4.07	3.78
Current Liabilities	63.12	43.50	1.42	1.65
<b>ASSETS</b>				
Fixed Assets-Net Block	125.97	119.34	4.30	3.96
Current Assets	67.87	77.85	4.69	4.45
<b>INCOME</b>				
Sales and Operating Income	274.04	238.73	8.88	3.04
<b>EXPENDITURE</b>				
Manufacturing and Other Expenses	216.47	176.65	7.30	1.88
Borrowing Costs (net)	1.41	5.38	0.11	0.02
Depreciation	28.25	24.48	0.79	0.19
Provision for Tax	3.90	0.65	0.37	0.26
<b>PROFIT/(LOSS) AFTER TAX FOR THE PERIOD</b>	<b>24.01</b>	<b>31.57</b>	<b>0.31</b>	<b>0.69</b>

9. (a) During year 2004-05, the Company had issued Foreign Currency Convertible Bonds (FCCBs) of a face value of US \$ 1000 aggregating to US \$ 150 million. As per the terms of the issue, the holders have an option to convert the FCCBs into Ordinary Shares at a conversion rate of Rs. 231.375 per Ordinary Share at a fixed exchange rate conversion of Rs. 43.65 = US \$ 1, from 13th March, 2005 to 22nd January, 2010. The conversion price is subject to certain adjustments for Corporate actions and consequently the conversion price has changed to Rs. 230.78 per ordinary share. Further, under certain conditions the Company has an option of early redemption in whole but not in part. Unless previously converted, redeemed or purchased and cancelled, the Company will redeem these bonds at 120.89 per cent of the principal amount on 1st February, 2010.
- (b) Exchange gain of Rs 3.57 crores on account of year end translation of liability denominated in foreign currency, relating to premium on redemption of FCCBs has been credited to the Securities Premium Account. In the previous year, exchange loss of Rs. 2.79 crores was debited to the Securities Premium Account.

**10. Provision for premium on redemption of Foreign Currency Convertible Bonds (FCCBs) :** (Rs. in crores)

	As at 31-Mar-2007	As at 31-Mar-2006
Opening Balance	139.82	137.03
Add / (Less) : Exchange difference	(3.57)	2.79
Closing Balance	136.25	139.82

Premium payable on redemption of FCCBs issued has been fully provided and debited to Securities Premium Account.

11. Research and Development expenses incurred by the Company during the year **Rs. 6.02 crores** (previous year Rs. 4.31 crores) have been debited to the respective heads of expenses.
12. During the year, the Company has entered into a Joint Venture agreement with Total Produce Plc, Ireland for its foray into the fresh produce business. The 50: 50 JV, Khet-se Agriproduce India Pvt. Limited, has since been formed.
13. During the year, the Company has revised the useful life of certain categories of assets namely computers, data processing equipments and vehicles w.e.f. 1st April, 2006. Consequently, the additional depreciation charge for the year ended 31st March, 2007 considered in the current year is Rs. 3.08 crores.

**Tata Chemicals Limited**
**Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account (Contd.)**

14. In December 2005, the Company, through its wholly owned overseas subsidiary, acquired a controlling equity interest in Brunner Mond Group Limited (BMGL), a Soda Ash manufacturing company. Subsequent to an open offer to the minority shareholders which process was completed in February, 2006, BMGL is a wholly owned subsidiary. The financial position and results included in the consolidated financial statements is as given below:

PARTICULARS @	(Rs. in crores)	
	As at 31-Mar-07	As at 31-Mar-06
<b>LIABILITIES</b>		
Loan Funds	<b>803.50</b>	523.72
Capital Grant	<b>21.13</b>	23.87
Current Liabilities	<b>823.59</b>	864.31
<b>ASSETS</b>		
Goodwill on consolidation	<b>3.80</b>	3.36
Fixed Assets-Net Block	<b>1,415.34</b>	1109.10
Deferred Tax Asset (net)	<b>57.56</b>	93.62
Current Assets	<b>474.97</b>	351.60
<b>INCOME</b>		
Sales and Operating income	<b>1,648.23</b>	360.57
<b>EXPENDITURE</b>		
Manufacturing and Other Expenses	<b>1,385.78</b>	277.42
Borrowing costs (net)	<b>58.07</b>	10.87
Depreciation	<b>95.28</b>	20.63
Provision for Tax	<b>46.56</b>	13.82
<b>PROFIT/(LOSS) AFTER TAX FOR THE PERIOD</b>	<b>62.54</b>	37.83

@ The above mentioned financial details for the subsidiary acquired is inclusive of the proportionate share of assets, liabilities, income and expenses of the joint venture company Kemax B.V.

**15. Derivative Instruments :**

- (i) As on 31st March 2007, the Company has the following derivative instruments outstanding:
    - (a) Forward currency exchange contracts USD-INR amounting to **Rs. 247.61 crores** for the purpose of hedging its exposures to foreign currency loans (previous year Rs. 435.71 crores)
    - (b) Forward currency exchange contracts USD- INR amounting to **Rs. 69.49 crores** for the purpose of hedging its exposures to foreign currency acceptances (previous year Rs. Nil)
    - (c) Currency options contracts USD- INR amounting to **USD 169.26 million** for the purpose of hedging its exposures to foreign currency loans (previous year USD 143.00 million)
    - (d) Currency options contracts USD-INR amounting to **USD 11.00 Million** for the purpose of hedging its exposures to foreign currency acceptances (previous year USD Nil)
    - (e) Interest rate swaps to hedge against fluctuations in interest rates **USD 77.61 million** (previous year Notional principal USD 54.8 million)
    - (f) Currency option contracts USD-INR for hedging of export receivables **USD Nil** (previous year USD 1.50 million)
  - (ii) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:
    - (a) Exports of goods **Rs. 5.20 crores** (previous year Rs. Nil)
    - (b) Loans and advances **Rs. 424.36 crores** (previous year Rs. 1,031.94 crores)
    - (c) Loans payable **Rs. Nil** (previous year Rs. 326.83 crores)
    - (d) Acceptances **Rs. 76.46 crores** (previous year Rs. Nil)
    - (e) Accounts payable **Rs. 47.20 crores** (previous year Rs. 23.05 crores )
16. (a) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 220.22 crores (previous year Rs. 96.11 crores)
- (b) Capital commitment towards investment in proposed joint venture (Khet-se Agriproduce India Pvt. Limited) : Rs. 6.72 crores (previous year Rs. Nil)

## Schedule N : Notes on the Consolidated Balance Sheet and Profit and Loss Account (Contd.)

### 17. Contingent Liabilities :

#### (a) Guarantees:

Bank Guarantees issued by Banks on behalf of the Company **Rs. 69.64 crores** (previous year Rs. 50.41 crores). These are covered by the charge created in favour of the Company's bankers by way of hypothecation of stocks and debtors.

The company has given the counter guarantees to Bank and Financial institutions on account of facilities to subsidiaries amounting to **Rs. Nil** (previous year Rs. 317.19 crores)

#### (b) Claims not acknowledged by the Company relating to the following areas :

(Rs. in crores)

	As at 31-Mar-2007	As at 31-Mar-2006
(i) Excise and Customs #	38.97	719.45
(ii) Sales Tax	57.05	48.17
(iii) Demand for utility charges	50.61	46.08
(iv) Labour and other Legal matters	6.78	3.85
(v) Income Tax (Pending before Appellate authorities in respect of which the Company is in appeal)	59.97	71.47
(vi) Income Tax (Decided in Company's favour by Appellate authorities and Department is in further appeal)	67.80	67.80

# Waste products that are generated during the course of manufacture of excisable product have been used as an input for the manufacture of non-excisable product. The Excise Department at Haldia passed an Order on 29th March, 2006 determining the duty of Rs. 278.35 crores and penalty of equal amount for alleged violation of Rules 6(3) of CENVAT Credit Rules, 2002. The Department also demanded interest of Rs.153.78 crores. The Company filed an appeal against the demand before CESTAT, Kolkata and deposited a sum of Rs. 0.63 crore under protest. The appeal of the Company against the claim was upheld by CESTAT, Kolkata vide its Order dated 21st March, 2007.

(c) Various claims pending before Industrial Tribunals and Labour Courts of which amounts are indeterminate.

18. The lease deposit of Rs. 25 crores remaining with the lessors is provided over the useful life of the asset and consequently a net amount of **Rs. 2.17 crores** (previous year Rs. 2.17 crores) has been charged to the Profit and Loss Account on the principle of matching of revenue and costs.

(a) Future obligations by way of lease rentals in respect of non-cancelable operating lease arrangements amount to :

- (i) due within one year **Rs. 0.46 crore** ( previous year Rs. 1.27 crores)
- (ii) due within the following four years **Rs. 0.80 crore** (previous year Rs. 3.22 crores)
- (iii) due after five years **Rs. 3.82 crores** (previous year Rs. 3.10 crores )

(b) In respect of Brunner Mond Group Limited, a subsidiary, as on March 31,2007 plant and machinery includes assets held under finance lease with a net book value of Rs. 50.49 crores and gross book value of Rs. 64.18 crores. The future minimum lease payments under finance lease is as below -

- (i) Not later than one year - Rs. 11.23 crores
- (ii) Later than one year but not later than five years - Rs. 9.53 crores

19. (a) Provision for Employee Separation Compensation has been calculated on the basis of the net present value of the future monthly payments of pension.

(b) The amount shown under Miscellaneous Expenditure on this account represents the balance amount to be amortised over the future years.

20. Asterisks denotes figures below Rs.50,000.

21. Figures pertaining to the subsidiary companies and joint ventures have been reclassified wherever necessary to bring them in line with the company's financial statements.

22. Previous years' figures have been regrouped wherever necessary.

Signatures to Schedules '1' to '4', 'A' to 'M' and Notes to Accounts

For and on behalf of the Board

R. N. TATA	Chairman
R. GOPALAKRISHNAN	Vice-Chairman
H. R. KHUSROKHAN	Managing Director
P. K. GHOSE	Chief Financial Officer
S. D. JAIN	Company Secretary

Mumbai, 30th May, 2007



# TATA CHEMICALS

Registered Office: Bombay House, 24, Homi Mody Street, Fort, Mumbai 400 001.

## ATTENDANCE SLIP

Folio No.	
DP ID	
Account ID	
No. of Shares	

I hereby record my presence at the SIXTY -EIGHTH ANNUAL GENERAL MEETING of the Company at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020, at 3.00 p.m. on Friday, July 27, 2007.

Signature of the attending Member/Proxy	
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- Notes:** 1. A Member/Proxyholder attending the meeting must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.  
2. A Member/Proxyholder attending the meeting should bring copy of the Annual Report for reference at the meeting.



# TATA CHEMICALS

Registered Office: Bombay House, 24, Homi Mody Street, Fort, Mumbai 400 001.

## PROXY

I/We ..... of ..... in the district of ..... being a Member/Members of the above named Company, hereby appoint ..... of ..... in the district of ..... or failing him ..... of ..... in the district of ..... as my/our Proxy to attend and vote for me/us and on my/our behalf at the SIXTY-EIGHTH ANNUAL GENERAL MEETING of the Company, to be held on Friday, July 27, 2007 at 3.00 p.m. and at any adjournment thereof.  
Signed this ..... day of ..... 2007

Signature	Affix Re. 0.15 Revenue Stamp
-----------	---------------------------------------

Folio No.	
DP ID	
Account ID	
No. of Shares	

This form is to be used in favour of the resolution. Unless otherwise instructed, the proxy will act as he thinks fit.  
\*against

\*Strike out whichever is not desired.

- Note: 1. The proxy must be returned so as to reach the Registered Office of the Company, Bombay House, 24, Homi Mody Street, Fort, Mumbai-400 001, not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.  
2. A Proxy need not be a member of the Company.



