

ANNUAL REPORT 2008-2009

(ABRIDGED)

AI CHAMPDANY INDUSTRIES LIMITED

AI CHAMPDANY INDUSTRIES LIMITED**BOARD OF DIRECTORS**

Mr. G. J. Wadhwa, Chairman
 Mr. Harbhajan Singh
 Mr. S. M. Palia
 Mr. S. K. Mehera
 Mr. D. J. Wadhwa
 Dr. G. Goswami
 Mr. N. Das
 Mr. B. Wadhwa
 Mr. N Pujara (Executive Director-Mktg.)

Mr. B. K. Chowdhury
*Sr. General Manager (Accounts)
 & Company Secretary*

AUDITORS

D P Sen & Co.
Chartered Accountants

BANKERS

Bank of Baroda
 Allahabad Bank
 Export-Import Bank of India
 ING Vysya Bank Ltd.
 IndusInd Bank Ltd.

REGISTERED OFFICE

25, Princep Street
 Kolkata-700 072

SHARE DEPARTMENT

25, Princep Street
 Kolkata-700 072
 Phone: 2237 7880/85

Fax: 033-2236 3754/033-2225 0221

E-mail: cil@ho.champdany.co.in

Website: www.jute-world.com

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WORKS

Wellington Jute Mill	Anglo India Jute Mill	Fine Yarn Unit	Flax Unit	Weaving Unit
Rishra	1, West Ghosh	1, West Ghosh	1, West Ghosh	39, Shalimar Road
Hooghly	Para Road Jagatdal	Para Road Jagatdal	Para Road Jagatdal	Howrah (South)
	24, Parganas (N)	24, Parganas (N)	24, Parganas (N)	West Bengal
West Bengal	West Bengal	West Bengal	West Bengal	West Bengal
Pin : 712 248	Pin : 743 125	Pin : 743 125	Pin : 743 125	Pin : 711 103

Weaving Unit	Beldanga Unit	Kankinara Unit	Libra Carpet	Yarn Unit
P. O. Konnagar	P. O. Beldanga	Bhutnath	Choudwar	Unit
Naity Road,	Murshidabad	Kolay Road		Choudwar
Barabahera		P. O. Kankinara		Dist: Cuttack
Hooghly		24, Parganas (N)	Dist: Cuttack	Orissa
West Bengal	West Bengal	West Bengal	Orissa	Pin : 754 025
Pin : 712 246	Pin : 742 101	Pin : 743 126	Pin : 754 025	

100% Export Oriented Units

Yarn Unit	Weaving Unit
Rishra	Rishra
Dist : Hooghly	Dist : Hooghly
West Bengal	West Bengal
Pin : 712 248	Pin : 712 248
Weaving Unit	Yarn Unit
Narayanpur	Konnagar
	Naity Road, Barabahera
Dist : 24 Pgs. (N)	Dist : Hooghly
West Bengal	West Bengal
Pin : 700 136	Pin : 712 246

AI CHAMPDANY INDUSTRIES LIMITED**Notice to the Shareholders**

Notice is hereby given that the Ninety First Annual General Meeting of the Members of the Company will be held on Friday, July 31, 2009 at 2.00 P.M. at the Auditorium of Bharatiya Bhasha Parishad, 4th Floor, 36A, Shakespeare Sarani, Kolkata-700017 to transact the following business:

As Ordinary Business:

- (1) To consider and adopt the audited Balance Sheet as at March 31, 2009 and the Profit & Loss Account for the year ended on that date, together with the Report of the Directors and Auditors thereon.
- (2) To appoint a Director in place of, Mr. S. K Mehera who retires by rotation and, being eligible, offer himself for re-appointment.
- (3) To appoint a Director in place of, Mr. S. M. Palia who retires by rotation and, being eligible, offer himself for re-appointment.
- (4) To appoint a Director in place of, Mr. N. Das who retires by rotation and, being eligible, offer himself for re-appointment.
- (5) To declare dividend on Preference Shares for the financial year ended March 31, 2009.
- (6) To appoint auditors and to fix their remuneration and for this purpose to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"Resolved that pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. D. P. Sen & Co., *Chartered Accountants*, be and are hereby re-appointed as auditors of the Company for audit of the Company's accounts and the auditors are to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting of the Company on a remuneration to be decided by the Board of Directors in consultation with the Auditors."

Registered Office
25, Princep Street
Kolkata – 700 072

Dated: 28th June, 2009

By Order of the Board
B. K. Chowdhury
Sr. General Manager (Accounts)
& Company Secretary

Notes:

- a) A member entitled to attend and vote at the Annual General Meeting (the meeting) is also entitled to appoint a proxy to attend and vote on a poll instead of himself / herself, and the proxy need not be a member of the Company. The instrument appointing the proxy should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- b) Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
- c) In terms of Article 101 of the Articles of Association of the Company Mr. S. K. Mehera, Mr. S.M. Palia and Mr. N. Das, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. Brief resume of Mr. S. K. Mehera, Mr. S. M. Palia and Mr. N. Das are annexed to the notice.
- d) Members are requested to bring their Attendance Slip along-with their copy of Annual Report to the meeting.
- e) Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in Physical form are requested to write their Folio Number in the Attendance Slip for attending the meeting.
- f) The register of Members and the Share Transfer Book of the Company will remain closed from 16-07-2009 to 31-07-2009 (both days inclusive)
- g) The Company has entered into necessary arrangements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable the shareholders to dematerialize their shareholdings in the Company for which they may contact the Depository Participants of either of the Depositories.

- h) Shareholders are requested to intimate changes, if any, in their Registered address, to the Share Transfer Agents of the Company at the following address or to the Company

M/s MCS Ltd.
77/2A, Hazra Road,
Kolkata – 700 029
Phone : 2476-7350 to 54, 2454-1892
Fax: 2454 –1961

- i) Members holding shares in physical form may send their request for nomination in the prescribed Form 2B duly filled in and signed to the Company Secretary at its registered office or to the Company's Registrar and Share Transfer Agent. The member holding shares in dematerialized form may contact their respective Depository Participants (DP) for availing nomination facility.
- j) Pursuant to the provision of Section 205A of the companies Act, 1956 as amended, dividend for the financial year ended March 31, 1996, and thereafter, which remained unpaid or unclaimed for a period of seven years, will be transferred to the "Investors Education and Protection Fund" of the Central Government. Shareholders, who have not encashed the dividend warrants so far for the financial year March 31, 2002 or any subsequent year, are requested to make their claims to the Registered Office of the Company at 25, Princep Street, Kolkata-700 072. It may please be noted that once the unclaimed dividend is transferred to the Central Government as above, no claim shall lie in respect thereof.
- k) Securities and Exchange Board of India (SEBI) has made it mandatory for all the Companies to use the bank account details furnished by the Depositories for distributing dividends through Electronic Clearing Services (ECS) to investors wherever ECS and bank details are available. Members holding the company's shares in dematerialized mode are requested to provide ECS particulars to their respective Depository Participants, if they have not done so already. Members holding the Company's shares in physical form who have not opted for ECS are requested to provide their ECS particulars in the enclosed 'ECS Mandate Form' and forward the same duly filled in and signed to the Company's Registrar and share Transfer Agent
- l) As approved by the Shareholders, the company has sub divided the Equity Shares of Rs. 10/- each into 2 equity shares of Rs. 5/- each with effect from September 19, 2008. Shareholders who have not yet surrendered old share certificates of face value of Rs. 10/- each requested to surrender the same to the Registrar and Transfer Agent to enable the Company to dispatch new share certificates in lieu of old certificates.

Registered Office
25, Princep Street
Kolkata – 700 072
Dated: 28th June, 2009

By Order of the Board
B. K. Chowdhury
Sr. General Manager (Accounts)
& Company Secretary

Annexure to Notice:

Details of Directors seeking re-appointment in ensuing Annual General Meeting to be held on July 31, 2009.

Name of Directors	Mr. S.K. Mehera	Mr. S. M. Palia	Mr. N. Das
Age	81	71	72
Date of appointment	31 st May, 2006	31 st May, 2006	31 st May, 2006
Expertise in specific functional area	Company Executive with rich business & management experience.	Ex-Development Banker with rich experience in finance and Management.	Company Executive with rich experience in Finance Accounts and Management.
List of outside Directorships held	Eastern Scales Pvt. Ltd. Bell Punch (India) Pvt Ltd. Automatic Machine Co. (India) Pvt. Ltd.	Tata Steel Ltd. ACC Ltd. GRUH Finance Limited Saline Area Vitalisation Enterprises Ltd Tata Motors Ltd The Bombay Dyeing & Mfg. Co. Ltd	Nicco Corporation Ltd Nicco Engineering Services Ltd. Nicco Biotech Ltd. Shibir India Ltd.
Chairman/Member of the Committee of Board of Directors of the Company	Member in Audit Committee	NIL	NIL
Chairman/Member of the Committee of the Board of Directors of other Public Limited Companies	NIL	Chairman on 2 committee of GRUH finance Ltd and in 1 Committee of Tata Motors Ltd, and member in one Committee of Tata Motors Ltd, The Bombay Dyeing & Mfg. Co. Ltd, ACC Ltd and Tata Steel Ltd.	Chairman of 3 committees of Nicco Corporation Ltd and member in one Committee in Shibir India Ltd.
No. of shares held	266	266	2666

AI Champdany Industries Limited
 25, Princep Street
 Kolkata-700 072

Re: Payment of Dividend through ECS

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# I wish to participate in the Electronic Clearing Services (ECS) introduced by the Reserve Bank of India.

# I do not wish to participate in the ECS. However, kindly print the bank particulars given below on the Dividend Warrant whenever issued to me.

1. Reg. Folio No. : .....

2. Particulars of Bank :

a) Name of the Bank .....

b) Branch Address .....

\*c) 9 digit Code Number of the Bank and Branch as

appearing on the MICR Cheque issued by the bank:

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

d) Account Type : ☐ Saving ☐ Current ☐ Cash Credit

e) Ledger Folio No. (if any) of your bank account: .....

b) Account No.: .....

I hereby declare that the particulars above given are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date(s). If the payment is delayed or not effected at all for any reason(s), beyond the control of the Company, I would not hold the Company responsible.

Date:

\_\_\_\_\_  
 Signature of the first holder

\*The nine digit code number of your bank and branch is mentioned on the MICR band next to the Cheque number.

# Delete whichever is not applicable.

# AI CHAMPDANY INDUSTRIES LIMITED

## DIRECTORS' REPORT

### TO THE STAKEHOLDERS

Your Directors have pleasure in presenting their report alongwith Audited Financial Results of the Company for the year ended 31<sup>st</sup> March 2009.

|                                                                          | (Rs. in lacs)                  |                                |
|--------------------------------------------------------------------------|--------------------------------|--------------------------------|
|                                                                          | Year ended<br>31st March, 2009 | Year ended<br>31st March, 2008 |
| <b>Total Income</b>                                                      | 30906.87                       | 27524.57                       |
| <b>Profit before Interest, Depreciation, Exceptional Items &amp; Tax</b> | 1924.87                        | 1889.23                        |
| <b>Less:</b>                                                             |                                |                                |
| Interest                                                                 | 728.61                         | 654.24                         |
| Depreciation                                                             | 845.84                         | 756.03                         |
| Exceptional Items (Net)                                                  | 165.40                         | -                              |
| Profit Before Tax                                                        | 185.02                         | 478.96                         |
| Provision for Tax:                                                       |                                |                                |
| - Current Tax                                                            | 22.35                          | 210.60                         |
| - Deferred Tax Liability/ (Asset)                                        | (165.15)                       | (43.8)                         |
| - Fringe Benefit Tax                                                     | 10.44                          | 9.37                           |
| Profit After Tax                                                         | 317.38                         | 302.97                         |
| Add: Profit brought forward from the Previous year                       | 495.01                         | 682.48                         |
| Adjustment relating to earlier years (taxes)                             | 36.55                          | 281.51                         |
| Amount available for appropriation                                       | 775.84                         | 703.94                         |
| Dividend on Preference Shares                                            | 15.40                          | 15.40                          |
| Dividend on Equity Shares                                                | -                              | 56.34                          |
| Tax on Dividend                                                          | 2.61                           | 12.19                          |
| Transfer to Capital Redemption Reserve                                   | 50.00                          | 25.00                          |
| Transfer to General Reserve                                              | 250.00                         | 100.00                         |
| Balance carried over to next year                                        | 457.83                         | 495.01                         |

### **DIVIDEND :**

Your Directors recommend Payment of Dividend @7% (Previous Year 7%) on the Preference Shares subject to your approval. In view of record high Raw Jute Price, threat of dilution in the Mandatory Jute Packaging Order, global recession and other factors your directors do not recommend dividend on Equity shares to conserve resources for business activities.

### **SHARE CAPITAL :**

As approved by the Shareholders at the last Annual General Meeting held on July 29, 2008 the face value of the Equity Share has been split into two equity shares of Rs. 5/- each in place of one equity share of Rs. 10/- each with effect from September 19, 2008.

The Authorised Equity Share Capital of the company has also been increased during the year from Rs. 15 crores to Rs. 30 crores by creation of additional 3 crore Shares of Rs. 5/- each.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is presented in separate Section and forming part of the Directors' Report.

### **CORPORATE GOVERNANCE:**

The Company has implemented the procedures and adopted practices in conformity with the Code of Corporate Governance as prescribed by SEBI. The Corporate Governance Report and a certificate from the Auditors of the Company certifying compliance with the conditions of Corporate Governance are attached hereto and form part of the Directors' Report.

### **BOARD OF DIRECTORS:**

As per the provisions contained in the Companies Act, 1956 and the Articles of Association of the Company Mr. S. K. Mehra, Mr. S. M. Palia and Mr. N. Das, Directors retire by rotation and being eligible, offer themselves for re-appointment.



The brief resume/details relating to Directors seeking re-appointment are furnished in the Annexure to the notice of the ensuing Annual General Meeting.

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

To the best of their knowledge and belief and according to the information and explanation received from the day to day operating management, your Directors make the following statements pursuant to Sub-Section (2AA) of Section 217 of the Companies Act, 1956.

- (i) that in the preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- (ii) that the Directors have selected such accounting policies and 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 and of the profit of the Company for that period.
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the annual accounts have been prepared on a going concern basis.

#### **AUDITORS:**

M/s. D. P. Sen & Co., auditors of the Company, hold office until conclusion of the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

#### **SUBSIDIARY:**

As required under the provisions of Section 212 of the Companies Act, 1956, the audited accounts together with Directors' Report and Auditor's Report of the subsidiary Companies namely, Landale & Clark Limited, West Bengal Multifiber Jute Park Ltd & Champdany Constructions Limited, are appended to and form part of the Annual Report.

#### **CONSOLIDATED FINANCIAL STATEMENT:**

In compliance with the requirements of Accounting Standards (AS-21) prescribed by the Institute of Chartered Accountants of India, on Consolidated Financial Statement, this Annual Report also includes Consolidated Financial Statement.

#### **AUDITOR'S REPORT:**

Observations of the auditors in their report have been adequately dealt with in the relevant notes in Schedule 17 of the Accounts.

#### **PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956:**

The provision of Section 217(2A) of the Companies Act, 1956 read with rule thereunder was not applicable to the Company, since there was no employee in the service of the Company drawing a remuneration in excess of the prescribed limit.

Additional information required under Section 217(1)(e) of the Companies Act, 1956 on conservation of energy, technology absorption and foreign exchange earnings and outgo, is set out in a separate statement attached this report and forms part of it.

#### **INDUSTRIAL RELATIONS:**

Industrial Relations in all units and branches of the Company remained generally cordial and peaceful throughout the year, except Industry wide strike in West Bengal Jute Industry from December 01, 2008 to December 18, 2008 and Units under suspension of work etc as mentioned in Management Discussion & Analysis Report annexed herewith.

#### **ACKNOWLEDGEMENTS:**

Your Directors take this opportunity to place on record their appreciation of the continuous support, encouragement and co-operation received from Export-Import Bank of India, the Government of West Bengal, Company's Bankers, customers, employees, shareholders and other business associates.

**Place: Kolkata**

**Dated: 28<sup>th</sup> June, 2009.**

**On behalf of the Board**

B. Wadhwa

N. Pujara

} Directors



## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **(A) Industry structure & developments:**

During the year under review, the Industry had to cope with very high Raw Jute prices resulting from shortage of Raw Jute due to lower crop & hoarding activity by the intermediaries.

In the current financial year also, Raw Jute price have risen even further and currently price for Standard Variety TD-4 have reached at an unprecedented level of around Rs. 2,800/- per Qtl. compared to Rs. 1,400/- per Qtl. in the corresponding period of previous year, recording a steep increase of almost 100%. Such a sharp rise in Raw Material prices in a short period of time is a cause for concern for the Industry hence urgent steps needs to be taken by all concerned in the Industry including the State Govt, to ensure availability of Raw Materials at reasonable prices, by improving productivity at farmer level & putting serious check on hoarding & speculative activities.

### **(B) Opportunities /Threats /Risks & Concerns**

#### **OPPORTUNITIES**

In the current scenario, opportunities in the Jute Industry mainly lies in innovation of value added products by Containing Cost & improving productivity. Your Company being pioneer in development of such products and having built up infrastructure for manufacture of these items over several years is making continuous efforts to retain its Competitive advantage in this segment of the Industry.

#### **Threats /Risks & Concerns**

- a) Record increase in Raw Jute prices making the products uncompetitive vis-a-vis other substitutes.
- b) Sharp contraction in Export in the current year due to global downturn. At this point of time the Industry needs urgent attention /incentive measures from the Government not only to encourage exports but to make it competitive vis-a-vis Bangladesh.
- c) Wage Cost continues to rise which has even risen further with Tripartite settlement with Unions in Dec'08 but without any linkage to productivity
- d) Threat of dilution in Jute Packaging Materials(Compulsory use for Packing Commodities) Act, 1987

### **(C) Outlook**

As per preliminary indications, arrival of Raw Jute from ensuing New Crop is likely to be delayed due to unfavourable weather conditions in the Jute growing Areas. On arrival of New Crop it is expected that Raw Jute prices which are currently prevailing at record high may reduce to some extent but may still continue to be very high when viewed with prices in the similar period last year thereby putting further pressure on margins. Although domestic demand continues to be reasonably good but export so far has been very sluggish due to global down turn and absence of any encouragement from the Government warranting re-introduction of some urgent incentive measures etc which has been completely withdrawn with consequential adverse impact on exports.

As in the earlier years, your Company having built up reasonable inherent strength, would Continue endeavouring to overcome such adversities faced by the Industry, to the extent possible, by changing product mix in shortest possible time as per market demand & focusing more on diversified product segment which has been the core strength of your Company. Efforts are also being made on restructuring of some of the closed Units and in such initiative a beginning has been made by transferring one of the closed Unit i.e. Rampur Texpro Unit to an Wholly Owned Subsidiary, i.e. Champdany Constructions Ltd by obtaining requisite approvals.

### **(D) Internal Control System & Adequacy:**

The Company has a proper internal control system in place of all across its operations. Internal audit work has been assigned to a professional firm of Chartered Accountants and they have expressed their satisfaction about the adequacy of internal control systems and procedures followed by the Company. The audit committee reviews the observations of the internal auditors and implementation aspects on a regular basis.

**(E) Financial & Operating Performance:**

During the year under review, production and sales/related income was 56678 MT and Rs. 30660 lacs respectively compared to 65748 MT and Rs. 27258 lacs respectively in the previous year. Export Sales (CIF) was Rs. 14509 lacs compared to Rs. 8055 lacs in previous year.

The performance was affected due to Industry wide strike in the Jute Industry from 1/12/2008 to 18/12/2008 & resultant increase in wage cost consequent to signing of Tripartite settlement agreement with Trade Unions.

During the year, a new Jute weaving unit located at Kankinara, Dist - 24 Parganas (North) West Bengal with an annual installed capacity of 6270 MT, commence commercial production with effect from October 1, 2008.

On 3/6/2009 the Company got its Export Oriented Unit located at Choudwar, Dist. Cuttack, Orissa de-bonded from 100% EOU scheme and accordingly the said unit has now become DTA Unit.

As in the past your Company continued its focus on modernization, expansion and diversification hence during the year a sum of Rs. 1736 lacs was added to the block.

**(F) Material Development in Human Resources/Industrial Relations front:**

As on March 31, 2009, the Company had 8182 employees on its rolls. The Company continues to rationalize its workforce and put emphasis on providing quality training under Company's programmes.

The Shalimar Unit, 100% EOU & Carpet Units at Choudwar remained under suspension of work during the year under review due to labour unrest and low productivity.

There was an Industry wide strike in West Bengal Jute Industry from December 1, 2008 to December 18, 2008.

**(G) Cautionary Statement:**

Certain statements in this report may be construed as forward looking statements which have been made as required by laws and regulations, as applicable. There are several factors which would be beyond the control of management and as such, may affect the actual results which could be different from that as envisaged.

### Auditors' Certificate on Compliance with the conditions of Corporate Governance Under Clause 49 of the Listing Agreement

**To the Members of AI Champdany Industries Limited**

We have examined the compliance of conditions of Corporate Governance by AI Champdany Industries Limited ('the Company') for the year ended 31st March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of the Corporate Governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. In our opinion and to the best of our information and according to the explanations given to us, and the representation 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 above mentioned Listing Agreement.

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

For and on behalf of

**D. P. Sen & Co.**

Chartered Accountants

**S. K. Nayak**

Partner

Membership No: 58711

Kolkata

Dated: 28<sup>th</sup> June, 2009