

Maharani

**PURE FRAGRANT
ORIGINAL BASMATI RICE**

11th Annual Report 2004-2005

C-117



Chaman Lal Setia Exports Ltd.



Chaman Lal Setia Exports Ltd.

BOARD OF DIRECTORS

CHAMAN LAL SETIA

(Chairman Cum Managing Director)

VIJAY SETIA

(Whole Time Director)

RAJEEV SETIA

(Whole Time Director)

INDER DEV KUKKAR

(Director)

SUKARN SETIA

(Whole Time Director)

ANKIT SETIA

(Whole Time Director)

NARESH SUNEJA

(Director)

PARMOD KUMAR

(Director)

AMIT MALHOTRA

(Director)

RAGHAV PESHAWARIA

(Director)

REGISTERED OFFICE

Meeran Kot Road,
P.O. Central Jail,
Ajnala Road, Amritsar

WORKS

- Meerankot Road, Amritsar
- Kaithal Road, Karnal.
- Mukhmelpur Road, Alipur, Delhi

BANKERS

Punjab National Bank,
International Banking Branch.
46, The Mall, Amritsar.

REGISTRAR & COMMON SHARE TRANSFER AGENT

M/s Beetal Financial & Computer Services (P) Ltd
IIIrd Floor, 99, Madangir
(Near Dada Harsukh Dass Mandir)
New Delhi

AUDITORS

M/s. Rajesh Kapoor & Co.
Chartered Accountants
HM-5, Aman Avenue, Amritsar

ANNUAL GENERAL MEETING

On 29th Sept. At 4:30 p.m at
Hotel Royal Castle, Amritsar

CONTENTS

Notice to the Members	2
Directors' Report	3-6
Management Discussion and Analyses	7-9
Report on Corporate Governance	10-12
Auditors' Report	13-16
Balance Sheet	17
Profit & Loss Account	18
Schedules	19-28
Cash Flow Statement	29
Balance Sheet Abstract	30
Attendance Slip	31



Chaman Lal Setia Exports Ltd.

NOTICE TO THE MEMBERS

Notice is hereby given that the Eleventh Annual General Meeting of CHAMAN LAL SETIA EXPORTS LTD. will be held on Thursday, the 29th Sept 2005 at Hotel Royal Castle at 4:30P.M to transact the following business:

(A) ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and audited Balance Sheet and the Profit & Loss Account as at and for the year ended 31.03.05 and the Auditors' Report thereon.
2. (a) To appoint a director in place of Mr. Naresh Suneja who retires by rotation but being eligible, offers himself for re-appointment.
(b) To appoint a director in place of Mr. Parmod Kumar who retires by rotation but being eligible offers himself for re-appointment.
(c) To appoint a director in place of Mr. Amit Malhotra who retires by rotation but being eligible offers himself for re-appointment.
3. To appoint auditors for the next year and to fix their remuneration. M/s Rajesh Kapoor & Co. are eligible and available for re-appointment.
4. To declare dividend.

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not to be a member.
2. The instrument of proxy must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the aforesaid meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23.9.2005 to 29.9.2005 (both days inclusive.)
4. Cases of Transfer of Shares may be referred to the Registrar, Whose address has been given at front page.
5. Shareholders are requested to intimate to the Company, changes, if any, in their registered address including PIN CODE number.
6. Persons attending the Annual General Meeting are requested to bring their copies of Annual Report.
7. Enquiries, if any, about the Annual Accounts, may please be intimated to the Company, at least Seven days in advance of the date of Annual General meeting.

By Order of the Board
For **Chaman Lal Setia Exports Ltd.**

Place : Amritsar
Dated : 17-08-05

Rajeev Setia
Whole Time Director





Chaman Lal Setia Exports Ltd.

DIRECTORS' REPORT

To The Members,

Yours Director have pleasure in presenting the 11th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2005.

1. RICE BUSINESS ——— Performance At A Glance

Particulars	Amount (in Lacs) Y.E. 31.03.2004	Amount (in Lacs) Y.E 31.03.2005
Export turnover	2797.19	4330.65
Domestic turnover	2614.43	3523.43
Profit before Intt. & Depreciation	371.79	508.12
Interest	114.74	217.16
Provision for Depreciation	78.81	83.80
Profit before Tax	178.25	207.16
Provision for Tax	55.84	71.74
Profit after Tax	122.41	135.42
Proposed Dividend including Tax	253.41	312.01
Transfer To General Reserve	12.24	13.54
Carried to Balance Sheet	242.11	43.11
Current Assets	5000.76	5824.32
Current Liabilities	3145.20	3291.52
Working Capital	1855.56	2532.80
Capital Employed	2323.39	3212.49
EPS	1.36	1.54
Book Value	25.86	23.80

Highlights of Performance:

During the year the export of Company increased excellently both in value terms & quantity terms inspite of adverse factors i.e. fall in the value of dollar & cut throat competition in export market. Also domestic sales increased tremendously in the year under consideration .This was the result of the efforts put in by management last year viz attraction packing, branding & standardisation of quality of rice creating of new markets.

2. Deposits

The Company has not accepted any deposits falling within the purview of Sec 58A of the Companies Act 1956 and no deposits were overdue as on 31.03.05

3. Personnel

Relations with work force of the Company have remained cordial, through out the Year.

4. Directors

Sh Naresh Suneja ,Parmod kumar & Amit Malhotra all Director of the Company retires by rotation at the Annual General Meeting and being Eligible offers themselves for re-election.

5. Statement u/s 217 (1) (e) of the Companies Act

The requirements for disclosure of particular with respect to conservation of energy are not applicable to the company. A statement giving details of technology absorption, foreign exchange earning and outgo in accordance with the above provisions is annexed here to as Annexure 'A' and forms parts of this report.

6. Particulars of employees

The Company has no employee of the category specified in sub section (2A) of section 217 of the Companies Act 1956.

7. Auditors' Report

The notes on accounts referred to in the Auditor's Report are self-explanatory and therefore do not call for any further Comments.



Chaman Lal Setia Exports Ltd.

8. Auditors

M/s Rajesh Kapoor & Co, Chartered Accountants retire at the conclusion of the forthcoming Annual General meeting and are available for re-appointment. A written certificate u/s 224(1)(B) has been obtained to this effect.

9. Dividend

During the year ended March 31, 2005 your Company's working results have improved substantially in view of the Management Thrust on Cost reduction in all areas of Company's operations, productivity improvement, improvement in the quality of yield and innovation of new products viz Pesticide Residue Free Rice, Smoked Rice Diabetic free rice 's cardaman rice etc. Therefore keeping in view the shareholders aspirations, yours directors, recommend a dividend of 30 % on pro-rata basis subject to adjustment of 100% of amount due to partly paid shareholders towards their balance of call money due.

10. Director's Responsibility

Pursuant to section 217 (2AA) of the Companies Act 2000 the directors confirm that:

- (i) In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) Appropriate accounting policies have been selected and applied Consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true & fair view of the state of affairs of the Company as at March 31, 2005 and of the profit of the Company for the said period.
- (iii) Proper and sufficient care has been taken 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) The annual accounts have been prepared on a going concern basis.

11. Statutory Disclosures

None of the directors of your company is disqualified as per the Provisions of Section 274 (1) (g) of the Companies Act, 1956. Your directors have made necessary disclosures as required under various provisions of the Act and clause 49 of the Listing Agreement.

The information given under Section 217 (1) (e) of the Companies Act, 1956 to be read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 as amended is enclosed as Annexure 'A'.

None of the employees of your company is drawing remuneration exceeding the limits laid down under provisions of Section 217(2A) of the Companies Act, 1956 to be read with Companies (Particulars of Employees) Rules, 1975 as amended.

12. Corporate Governance

Recognising the importance of Corporate Governance, the company has been making efforts towards adoption of best practices. This has been explicitly recognised in the company's policies. The company has an audit committee comprising of Independent directors which provides direction and oversees the operation of total audit function of the company. Further the company has an investors' grievance committee.

The company is in the process of implementation the new requirements of code of corporate governance formulated by Securities & Exchange Board of India and incorporated as clause 49 in the Listing Agreement of the Stock Exchanges where the shares of the company are listed. A report on the Corporate Governance is attached and Company is quiet hopeful that it will fulfill all the requirement in its true letter & spirit by the end of the stipulated time.

13. Dematerialisation of Shares

The Company has agreements with both National Securities Depository Ltd and Central Depository Services Ltd. whereby the Shareholders have an option to dematerialise their shares with either of the depositories. Now the company's shares are traded compulsorily in demat form under ISIN code INE419D01018.

14. Social Objectives

Company is not only a Profit Oriented Unit, but also meeting its Commitment & Responsibility towards the society by undertaking the following measures:

- a) Development of new technique whereby rice could be made Pesticide Residue Free.
- b) Development of low cost water filters for poor segment of the society. The Company has named the new invention after the name of its Brand as Begum Water Filter.





Chaman Lal Setia Exports Ltd.

- c) Project for tackling problem of wastewater logging and treatment of sanitary discharge in villages is under process.
- d) Development of diabetic rice for diabetic patients.

15. Delisting of Shares

Consequent to the Co's maiden IPO in march 95 the share of the Co got listed at Delhi, Jaipur, Mumbai, Ahemdabad, Chennai & Ludhiana stock Exchanges. As the trading volume through all the stock exchange except Mumbai was negligible the shareholders in the 9th AGM of the Company, approved the resolution for delisting of Co's share from all the stock exchanges, except Mumbai. This was in the line with SEBI (Delisting of securities guidelines 2003). Accordingly the Co got delisted from Delhi Ahemdabad & Jaipur stock exchange during the year and still waiting the reply of chennai & Ludhiana stock exchanges.

The shares shall continue to be listed on The Stock Exchange, Mumbai (BSE) which has nationwide trading terminals and consequently delisting from the other Stock Exchanges referred above will not adversely affect the investors. The shares are traded in compulsory demat form. Trading on above stock exchanges is negligible and benefit to the shareholders are not commensurate with the cost incurred by the company.

16. Pollution Free Environment: - Company's Slogan

During the Year Company has distributed free of cost plants of Neem & Jamun for plantation. As such company has prepared a nursery of 25000 plants of Neem, Jamun etc. Further the Company has also used the Neem as bio pesticide for controlling infestation. To further accomplish Company's motive of pollution free environment Company is trying hard in making Bio Compost from waste and rejects of paddy to overcome the problem of waste. The Company's research & development Deptt. is also trying to stabilize rice bran for human consumption.

The Company's research work for paddy steeping to desired level of moisture without using excess water is under trial which is succeeded can save lot of water reserve.

Appreciation

The Board of directors thanks company's customers, public in general, shareholders, bankers and suppliers.

The Board also places on record its appreciation of the services rendered by staff at all levels and look forward to their valued co-operation and contribution in meeting the future challenges.

FOR & ON BEHALF OF BOARD

Place : Amritsar

Dated : 17-08-05

CHAMAN LAL SETIA

Chairman

ANNEXURE - A

Particulars as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 and forming part of the Director's Report for the year ended 31.03.2005

A. CONSERVATION OF ENERGY

A novel System has been created for cost effect utilisation of waste rice husk ash for saving in the Electricity bills of air conditioning and cooling systems being deployed in Concrete buildings to protect from the burning heat of tropical summers. A rough estimate of this expense in the form of electricity consumption alone can be made in crores while other saving in the shape of equipment cost, recurring repairs etc are in additions. The system also saves in the form of low electricity requirement which is national resource.

The technique also find use in cold regions as insulation material their by permanently cutting cost of heating system & can be effectively used in defence bunker, civil construction in inhospitable climate.

The company has already undertaken a research for making par-boiled rice with less steam thereby saving energy.

B. TECHNOLOGY ABSORPTION

(i) Research And Development (R&D)

1. Various R&D initiatives were undertaken which have resulted in :
 - a) Development of Pesticide Residue Free aged Basmati rice;



Chaman Lal Setia Exports Ltd.

- b) Development of Smoked Basmati Rice;
- c) Development of quick cooking Brown Rice;
- d) Development of Sugar Free Rice;
- e) Use of neem as Bio-pesticide;
- f) Improvement in Parboiling for improvement in quality parameters;
- g) Use of Plastic Buckets in parboiling plant thus reducing cost;
- h) Development of Bhatti Sella for the first time in India;
- i) Development of Fragrance Rice.
- j) Reducing broken in paddy with very high sun checks under process.
- k) Rice bran stabilization for human consumption under process.
- l) Making bio-compost from waste and reject of paddy under process.

2. Future plan of action.

The Company will try to assist any R&D Unit of any academy/University in this line.

3. Expenditure on R & D.

Wages, salaries, stores, spares & consumable used for R&D activities have been debited to Respective Heads. Rs 122393/- has been exclusively incurred for R & D activities.

(ii) Technology absorption, adoption and innovation.

The Company has completely indigenous technology & has not imported any technology from abroad.

C. EFFLUENT TREATMENT

Your Company has developed a "no cost" water treatment system for its Parboiled Unit.

D. ELIMINATION OF PESTICIDE RESIDUE: -

Aged rice is preferred for eating & cooking quality. But aging requires one & more years of storage and for safe storage, pesticides fumigants are invariably used to preserve the rice. These are highly toxic and even its residues are health hazards. Even recently some soft drinks have been found to contain pesticides residue contents.

As per norms of WHO these pesticides are to be phased out for human health & environment concerns and it is remarkable achievement of the company that it has developed a technology of aged rice without fumigation & pesticide usage resulting thereby a healthy and tasty rice for your health & family.

E. SMOKED BASMATI RICE: -

The company has yet another development to its credit that it has developed a new quality of rice called "Smoked Basmati Rice" which is monopoly of few millers in the world.

F. DIABETIC FREE RICE:-

Company has succeeded in developing a new variety of rice which is called "Rice for Diabetic people". These rice are with moderate G.I. Our claim for diabetic free rice has been upheld by department of Nutrition & diabetic of P.S.G college of Arts and Science (An ISO 9001 2000 certified institute also accredited at the 5 star level by NAAC) after two simultaneous researches.

G. LIGHT WEIGHT TILES:-

The Research & Development wing of the Company have been able to achieve a remarkable thing by developing light weight tiles made from Rice Husks . which can be used in multi stored building while construction . These tiles are light in weight and company foresee a good prospect of this innovative product along with elimination of Hazardous waste of rice.

H. CARDAMOM FLAVOUR RICE:-

The Company has yet another mile stone achieved to its credit by developing a different quality of rice called "Cardamom Flavour rice". This special rice has started giving its results by creating a Niche for its quality in middle East and Europe etc.





Chaman Lal Setia Exports Ltd.

MANAGEMENT DISCUSSION AND ANALYSES

Economic Environment & Rice Industry:-

The Indian Economy is on growth path for the last three year although not at a stable rate. Indian Economy witnessed an impressive growth rate of 8.5% during 2003-04 which was 4% in 2002-03. However the year 2004-05 witnessed very tough scenario like increase in the international price of oil & steel and deficit monsoon in major parts of country, Tsunami problem further aggravated the situation by demaging lives property at coastal areas. However the real GDP growth reained at 6.9% against the projections of 8.1%. This was quiet reasonable keeping in view the adverse factors discussed above.

As regards the agricultural sector GDP from Agricultural and allied activities is estimated to have increased to 10.7% as compared to 9.6% in the previous year which is a positive sign for Industries based Agriculture like us. This is inspite of unfavourable & deficit monsoon during the year 2004-05. The sale in market is also picking up after the first half and can be visualised as a postive feature for the future of rice Industry.

Outlook –Global Rice Industry: -

The tough macro economic environment during the year 04-05 had its adverse impact on global rice Industry as well. In the wake of slowdown in the World economy, Global over production, international Prices continued to show declining trend but the signals of recovery are coming through after the close of 1st half year.

While the international price of rice remained sluggish throughout the year, domestic realisation & demand witnessed a better trend as compared to previous year and demand for rice continued to be more lucrative in domestic market as compared to export market. This trend in domestic market had its impact on international market of rice and it is showing better prospective and this trend is continuing till date which will have its impact on the profitability of the industry in the ensuing year.

Opportunities & Threats: -

Opportunities :

1. The Company has developed a unique product i.e. **Pesticide Residue Free Aged Basmati Rice** which is absolutely free from any pesticide residue. This product of the company can be called triumph card for the future. As it is well known now that some of very popular food items have been found having pesticide residue content. Now the WHO and other like authorities are going to fall heavily on food products having pesticide residue contents. But as far as our company is concerned, our product is now pesticide residue free and this is perhaps unique in the world. Its sale in the year has picked up and company is quiet hopeful that this product of the company will prove milestone both for the profitability & sales.
2. Yet another development for which we can boast of is **Smoked Rice** having something-unique taste and flavour. This rice is now also picking up particularly in Saudi etc.
3. The company's novel product Bhatti Sella that was introduced two years before is selling at a premium in the rice market. This rice has the qualities like taste, aroma, easy cooking and longer preservation period.
4. Yet another product of the company comes out this year is for Diabetic People who avoid normal rice. This rice developed by the company contains low quantity of sugar as compared to the normal rice available in the market. This will also prove a backbone in the profitability and sales of the company in the coming year.
5. **LIGHT WEIGHT TILES:-**

The Research & Development wing of the Company have been able to achieve a remarkable thing by developing light weight tiles made from Rice Husks. Ask which can be used in multi stored building while construction. These tiles are light in weight and company foresee a good prospect of this innovative product along with elimination of Hazardous waste of rice.





Chaman Lal Setia Exports Ltd.

6. CARDAMOM FLAVOUR RICE:-

The Company has yet another mile stone achieved to its credit by developing a different quality of rice called "Cardamom Flavour rice". This special rice has started giving its results by creating a Niche for its quality in middle East and Europe etc.

7. In order to capture the market of steam rice the company has decided to install a fully automated steam plant at its Amritsar unit which will be quite beneficial for enhancing sale of company specially in Saudi Arabia middle East etc.

All these factors have largely contributed to increase in sales of the company both in domestic market as well as export market.

8. The fixed cost can be brought down substantially with increased production as the Company has the total infrastructure at its both the units which has also led to increase in profitability.

Threats :-

Under performance of world economy, global recession and unfavourable & deficit monsoon are the threats which can depress the prices and the demand for rice. This risk can be mitigated largely due to the concept that Food Industry has lesser elasticity of demand as compared to the other products. Further the business wisdom and technological aspirations inherent in the management team can be quite helpful to overcome such difficulties.

As the company is mainly dependent upon Agriculture which totally depends upon the quality of rains in India, the poor rainfall can adversely affect the costing of the Company and consequent price realisation. But the Company has developed its procurement market through out India and if in any region the rainfall is lesser the Company can buy its raw material from the another region.

Risks and Concerns :-

The unprecedented nature of Rice Industry and volatile prices are areas of concern for which the company's focus to make cost of production internationally competitive and reduces interest cost by more & more utilising its own resources and cutting other cost through technological upgradation and computerisation of company's operations.

The protectionist measures initiated by other countries may close down the window for exports. However the company's focus is also on the domestic market.

In case of Sugar Free Rice company's claim proved to be correct by Deptt of Nutrition and dietetics of P.S.G college of Arts and Science.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The company continued to lay emphasis on strengthening and improving internal supervision and control. The Company has a proper and adequate system of Internal controls to provide reasonable assurance that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly. The internal control system provides for well-documented policies, guidelines authorization and approval procedures. Management information system (MIS) is the backbone of your company's control mechanism. Well-conceived annual planning and effective budgetary control ensures adequate control on all the expenditures of the company.

An extensive programme of Internal Audit by the internal audit department and periodic review by the Management further supplement the Company's internal control systems. In the line with the International trend, planning and conduct of internal audit is oriented towards review of control in the management of risks and opportunity in the Company's activity.





Chaman Lal Setia Exports Ltd.

The Internal Auditors report significant audit observations, periodically at regular intervals to the Audit Committee that comprises of three independent Directors. The Committee met regularly during the financial year and reviewed audit observation and followed up implementation of corrective actions. The Audit committee also met the company's Statutory Auditors to ascertain their views on the adequacy of Internal Control System in the Company.

FINANCIAL PERFORMANCE:

Despite difficult market scenario, erratic monsoon, tight money market and other factors viz fall in exchange rate company maintained its record of profitability and earned Rs 291 lacs as cash profit as compared to 257 lacs last year. During the year company's sale record a growth of 45 % from 5411 lacs to 7854 lacs and EPS increased to Rs. 1.54.

INDUSTRIAL RELATIONS & HUMAN RESOURCE MANAGEMENT:

Like any high performance organization, your company firmly believes that success of the company comes from good Human Resources. Employees are considered as important assets and key to its success. HRD always strives for sourcing and developing high caliber employees, providing them relevant training for enhancement of their competence and facilitating their assessment process through an effective performance Management System (PMS). Company aims to remain lean and dynamic in a continuing de layed structure.

Training and development initiatives aim at bridging the gap between existing skills and desired skills of the employees in line with organisational needs. Extensive training inputs aim at building up competence amid commitment to employees through understanding and utilizing new technology, hands on job training, inter functional knowledge, furtherance of safety awareness and training in behavioural area etc.

During the year company has incurred Rs. 2.58 lacs on the training of its employees and Rs 20.20lacs on staff welfare & other provisions for the benefit of employees..

Employee relation continued to be satisfactory. The number of persons directly employed by the company was above 120 as on 31st March 2005.

The company continued with the existing welfare schemes for the benefits of its employees. The Provident Fund, Bonus, Promotion, Gratuity and other fringe benefits were bestowed upon all the confirm employees of the company to motivate them for attaining the ultimate goals of the company. In addition to these benefits Group Insurance, Medical Insurance and Retrenchment Compensation were also assured for the employees of the company.

In addition to these ultimate benefits, employees are also provided with better working environment, first aid medical facilities, conveyance facility and computerised environment.

CAUTIONARY STATEMENT:

Statement in this report on Management's Discussion and analysis describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied important factors that could make a difference to the Company's operations include economic conditions affecting global and domestic demand supply, finished goods prices in the domestic and overseas markets in which the Company operates, raw material cost and availability, changes in Government regulations, tax regimes, economic developments within India and other factors such as litigation and Industrial relations. The company assumes no responsibility to publicly amend, modify ore revise any forward looking statements on the basis of any subsequent developments information or events.