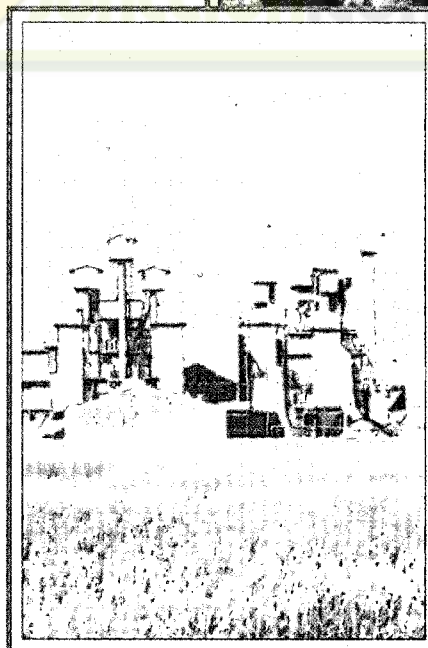




Pure Fragrant Original Basmati Rice



Annual Report
2006 - 07

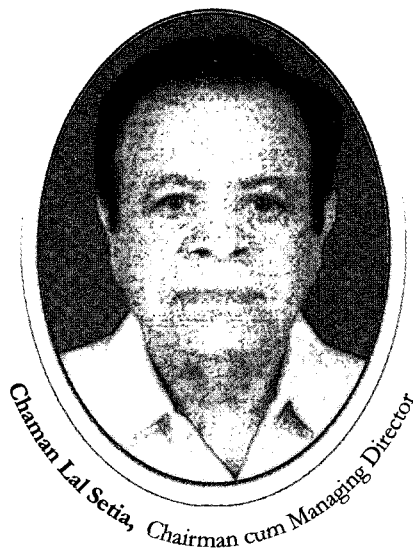


Chaman Lal Setia Exports Ltd.

(A Govt. Recognised One Star Export House)

An
ISO 9001 : 2000
Certified Co.

www.reportjunction.com



Chairman Message

It gives me immense pleasure to share the success of **Chaman Lal Setia Exports Ltd** with everyone. The year saw realisation of our true potential and optimisation of our productive capacity by achieving all time high sales of 95 crores.. The Company has milling and processing capacity of more than 50000 MT of Raw and Parboiled Basmati Rice. We are in the process of further enhancing our production capacity by replacing our existing machines with state of art imported units.

Essentially a water driven crop Rice is the staple diet of 60% of humans globally. India is the 2nd largest producer in Rice, next to China and they jointly account for 56% of world's production. Reports suggest that export of Rice from India is expected to be of the order of 4 million Tons per year. Basmati Development Fund (BFD) created under the chairmanship of APEDA chairperson, nodal authority for Basmati rice export under ministry of commerce, is expected to create conducive environment for Indian exports growth. It has taken Shahrukh Khan (Actor) as brand Ambassador for Indian Basmati Rice promotion in Gulf & Middel East countries. An amount of about rs. 10 crore has been earmarked out of BDF funds. The decision in principle has been taken to promote Basmati in Europe too. Anticipating success in Gulf region. I see a great potential for the Rice industry and particularly for Chaman Lal Setia Exports Ltd. With these thoughts in mind we plan aggressive marketing of our premium brand, Maharani.

Globally India shares the monopoly in Basmati Rice demand with Pakistan. However with the introduction of PUSA 1121 variety under Basmati Development programme, stated among the longest rice in the world, the export demand from India is expected to touch new high, esp in Iran and other parts of world.

Keeping pace with the global needs and demands Chaman Lal Setia Exports Ltd is a step ahead & has developed rice variety keeping in mind the needs of rice loving diabetic customers "The rice suitable for Diabetic People".

Needless to say, The demand today is of quality at global standards. Nothing but the best will survive. Being an ISO 90012000 & HACCP certified Company, I can visualize tremendous growth potential of Chaman Lal Setia Exports Ltd. During the year our old customers have been supportive and their feedbacks have been the basis of our strengthening and expansion plans. With support of our employees and promoters we are moving ahead with our slogan We Care for Each Grain.

CHAMAN LAL SETIA



Chaman Lal Setia Exports Ltd.

*Maharani[®]
Rice*

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

CORPORATE OFFICE

408, Krishna Apra Business Square
Netaji Subash Place, Pitampura,
New Delhi - 110 034

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 Mohan International Albert Road, Amritsar

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NOTICE TO THE MEMBERS

Notice is hereby given that the 13th Annual General Meeting of CHAMAN LAL SETIA EXPORTS LTD. will be held on Saturday the 29th Sept 2007 at Hotel Mohan International Albert Road, Amritsar at 4.30 p.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 31.03.07 and the Auditors' Report thereon.
2. (a) To appoint a director in place of Mr. Rajeev Setia who retires by rotation but being eligible, offers himself for re-appointment.
(b) To appoint a director in place of Mr. Ankit Setia who retires by rotation but being eligible offers himself for re-appointment.
(c) To appoint a director in place of Mr. Inder Dev Kukar 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.

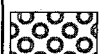
NOTES

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 23.9.2007 to 29.9.2007 (both days inclusive.)
4. Cases of Transfer of Shares may be referred to the Registrar, Whose address has been given at Page No. 1
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 : 27-08-07

Rajeev Setia
Whole Time Director





Chaman Lal Setia Exports Ltd.

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DIRECTORS' REPORT

To The Members,

Yours Director have pleasure in presenting the 13th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2007.

1. RICE BUSINESS ——— Performance At A Glance

Particulars	Amount (in Lacs) Y.E. 31.03.2006	Amount (in Lacs) Y.E 31.03.2007
Export turnover	3372.29	3691.64
Domestic turnover	4673.62	5752.88
Profit before Intt. & Depreciation	448.78	620.55
Interest	128.80	235.73
Provision for Depreciation	89.80	93.98
Profit before Tax	230.18	90.84
Provision for Tax	64.00	66.20
Profit after Tax	166.18	224.64
Proposed Dividend	185.59	113.75
Transfer To General Reserve	16.61	22.46
Carried to Balance Sheet	12.60	76.15
Current Assets	4443.03	4954.58
Current Liabilities	1698.24	2029.39
Working Capital	2744.79	2925.19
Capital Employed	3361.79	3552.99
EPS	1.80	2.42
Book Value	23.82	24.77

Highlights of Performance:

During the year the export of Company increased to a little extent inspite of the adverse factors i.e. fall in the value of dollar & cut throat competition in export market. but 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. Overall sales and profitability increased at a steady pace.

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 31.03.07

3. Personnel

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

4. Directors

Sh Rajeev Setia, Ankit Setia & Inder Dev Kukkar 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 form 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.



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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, 2007 your Company's working results have improved on both front i.e. sale & profit 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 11 % 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, 2007 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

Chaman Lal Setia Exports Ltd has rooted itself in Values, Nurtured by ethics, transparency and Corporate Governance. Your Company is all set to branch out further and grow stronger. It is these values and guidelines that will give a firm foundation for the future growth.

The Company has implemented the new requirement code of corporate governance as required by Clause 49 of the listing Agreement and the required particulars on part of this Annual report.

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



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- d) Development of diabetic rice for diabetic patients.
- e) Zero Energy cool chamber development of more cost effective more users friendly cooling system at a very nominal cost.

15. Listing of Shares

The share of the Company are listed on Mumbai Stock Exchange Limited and listing fees has been paid timely.

16. Pollution Free Environment: - Company's Slogan

Company continued its expedition of free distribution of Neem & Jamun Plants for plantation & medical cure. Neem can be used also as bio-pesticide for curing infestation. The Company is trying hard to stabilize rice bran for human consumption.

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 : 27-08-2007

CHAMAN LAL SETIA
Chairman

ANNEXURE - A

Particulars as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rule 1988 and forming part of the Director's Report for the year ended 31.03.2007

A. CONSERVATION OF ENERGY

Company is in the process of installing Chinese machinery at its Karnal Unit, which with the same energy and fuel will produce three times the present production, thus at the present production level energy utilization will be only on third and balance energy can be utilized for same other purpose.

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;
- 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.
- m) Cool Chamber system.

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.



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(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 research's.

G. LIGHT WEIGHT TILES:-

The Research & Development wing of the Company have been able to achieve a remarkable thing by developing lightweight 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.



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Management Discussion and Analyses

1. Economic Environment & Rice Industry:-

The GDP growth during the Year 2006-07 remained nearly 9.5% as against 9.0% in the year 2005-06. The Balance of Payment position also remained strong. This strong performance was mainly due to Industrial & service sectors. Industrial growth is being estimated at 11.3% while growth in service sector is being estimated at 11%.

As for as Agricultural & allied sectors are concerned, they are expected a growth of 2.7% only which is very modest. Rice is an agricultural commodity and its growth is being hurdled by uneven rains, floods, draughts, govt interference & sensitivity of society.

2. Outlook – Global Rice Industry:-

1. Gradual changes in economy are already visible with strong rural and urban growth and an end to down trading which strongly hampered market growth earlier. The implementation of VAT has also been a key to this changing scenario. It has enabled higher levels of compliance transparency and reduced tax evasion. Going forward a thrust on innovation and enhances focus on branding increased advertisement spent focus on globalization and improved penetration levels are all going to be the key to drive growth.

During the year under review your company has tried to do all these while maintaining the growth rate. In addition to introducing new products company is also performing well in social sector.

Opportunities & Threats: -

Opportunities:

1. The company's novel product Bhatti Sella that was introduced four 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.
2. 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.. 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 is increasing day by day.
3. 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.
4. Quick cooking brown rice developed by the company is very useful for large function at a big level and its sale is picking up especially in Saudi Area.
5. Yet another product of the company introduced last 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.
6. The Company has yet another milestone 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. All these factors have largely contributed to increase in sales of the company both in domestic market as well as export market.
7. The Company is in the process of installation of Chinese sheller at its Karnal Factory which would lead to saving in energy Electricity thus cost reduction and will enhance the production capacity of the factory.
8. The Company is in process of having a corporate office at Delhi to give a boost of its Export and domestic Sale.
9. 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. The Company has considerably reduced the financial



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cost by making a prudence use of funds and still hopeful for further decrease in financial expenses. The Company is in the process of installation of Chinese sheller at its works to increase its production within the given resources.

Threats: -

Under performance of world economy, global recession and uneven monsoon lower growth in Agricultural sector, lower share of agricultural sector in the real GDP frequent change in govt. policy 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 Dept. 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.

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 Rs384.82 lacs as cash profit as compared to 319.98 lacs last year. During the year company's sale record a growth from 8045.91 lacs to 9444.52 lacs and EPS increased to Rs 2.42 from Rs 1.80.