



Pure Fragrant Original Basmati Rice



## 19<sup>th</sup> Annual Report 2012-13



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Intertek  
Certified Co.

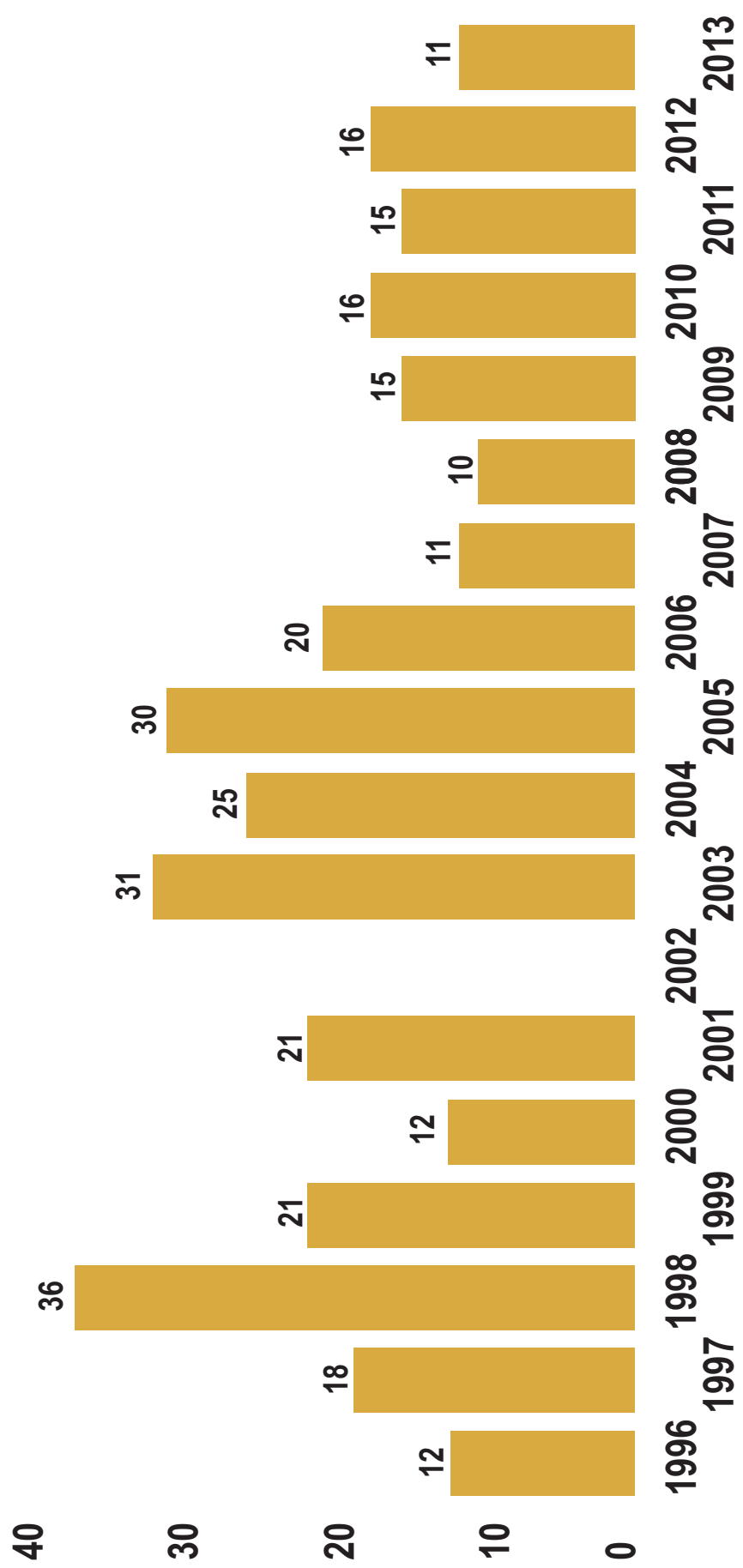
**CHAMAN LAL SETIA EXPORTS LTD.**  
(A Govt. Recognized Star Export House)





# Chaman Lal Setia Exports Ltd.

320% Dividend since inception



11% Dividend Proposed in 2012-13



## BOARD OF DIRECTORS

**Chaman Lal Setia**  
(Chairman cum Mg. Director.)

**Vijay Setia**  
(Whole Time Director)

**Rajeev Setia.**  
(Whole Time Director)

**Sukarn Setia**  
(Whole Time Director)

**Ankit Setia**  
(Whole Time Director)

**Inder Dev Kukkar**  
(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**  
No 2, IInd Floor  
Club Drive Road ,M.G Road  
Ghitorni ,New Delhi-110 030

### Works

- Meerankot Road, Amritsar.
- Kaithal Road, Karnal.
- 526-B, Lahori Gate, Delhi
- Alipur, Delhi

## BANKERS

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

### Registrar & Common Share Transfer Agent

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  
140 Green Avenue,  
Amritsar

## ANNUAL GENERAL MEETING

On 28<sup>th</sup> Sept., 2013 at 4:30 p.m. at  
Hotel P.R Residency,  
Ranjit Avenue, Amritsar

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## NOTICE TO THE MEMBERS

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of CHAMAN LAL SETIA EXPORTS LTD. will be held on Saturday the 28<sup>th</sup> Sept 2013 at Hotel P.R Residency, Amritsar at 4.30 p.m. to transact the following business:

### (A) ORDINARY BUSINESS

1. To receive and adopt the Directors' Report, audited Balance Sheet and the Profit & Loss Account as at and for the year ended 31.03.13 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.
- 2(b) To appoint a director in place of Mr. Sukarn Setia who retires by rotation but being eligible offers himself for re-appointment.
- 2(c) To appoint a director in place of Mr. Ankit Setia 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 23.9.2013 to 29.9.2013 (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 and E-mail Id.
6. Persons attending the Annual General Meeting are requested to bring their copies of the 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 the Annual General meeting.

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

Place : Amritsar  
Dated : 24-08-13

**Rajeev Setia**  
Whole Time Director



## DIRECTORS' REPORT

To The Members,

Yours Directors have pleasure in presenting the 19<sup>th</sup> Annual Report, together with the Audited Accounts of the Company for the year ended 31st March 2013.

### 1. RICE BUSINESS ——— Performance At A Glance

Particulars	Amount (in Lacs) Y.E. 31.03.2013	Amount (in Lacs) Y.E 31.03.2012
Export turnover	16980.79	13713.34
Domestic turnover	10265.24	7987.03
Profit before Intt. & Depreciation	2032.72	1856.58
Interest	197.48	440.46
Provision for Depreciation	257.49	219.87
Profit before Tax	1773.26	1101.85
Provision for Tax	575.30	331.40
Profit after Tax	1197.96	770.45
Proposed Dividend	118.79	172.79
Transfer To General Reserve	119.79	77.00
Carried to Balance Sheet	2527.43	1486.66
Current Assets	8549.51	9493.69
Current Liabilities	4285.88	5873.35
Working Capital	4263.63	3620.34
Capital Employed	6210.92	4964.55
EPS	12.89	8.29
Book Value	55.73	43.21

### Highlights of Performance:

During the year the sales of the Company increased both on domestic as well as export front. This was the result of the efforts put in by the management through extensive travellings & exploring new International markets, the emphasis was also on attractive packing & brand equity. The increase in profit can be attributed to the special emphasis of the management on Cost Cutting and Control and further to increase in the prices of rice and dollar .

### 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 31.03.13

### 3. Personnel

Relations with work force of the Company have remained cordial, throughout the year.

### 4. Directors

Directors of the Company liable to retire by rotation retires at the Annual General Meeting and being eligible offer themselves for re-election.





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

The requirements for disclosure of particulars 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 a part 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.

**8. Auditors**

M/s Rajesh Kapoor & Co, Chartered Accountants, Auditors 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, 2013 your Company's working results improved on sale as well as profit aspects due to the Management thrust on cost reduction in all areas of Company's operations, productivity, quality improvement and innovation of new products. Hence, keeping in view the aspiration of the shareholders and also in order to strive balance between the aspiration of shareholders and future expansion, your Directors, recommend a dividend of 11 % i.e Rs.1.10 per Share 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, 2013 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 of code of corporate governance as required by Clause 49 of the listing Agreement and the required particulars from part of this Annual report.

**13. Cost Audit**

The Cost Auditor of the Company issued Cost Compliance Report dt. 24.08.2012 which was accepted by the Board of Directors M/s. Verma Khuswinder & Associates has been appointed as Cost Auditor of the Company to Carry out the audit of the Cost Accounting records maintained by the Company for the year ended 31.03.13.

**14. 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. The Company's shares are traded compulsorily in demat form under ISIN code INE419D01018 and the percentage of demat shares of the Company is 91.50% .

**15. Social Objectives**

The 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.
- d) Zero Energy cool chamber development of more cost effective and more user friendly cooling system at a very nominal cost.

**16. Listing of Shares**

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

**17. Pollution Free Environment: - Company's Slogan**

The Company continues its pursuit of free distribution of Neem & Jamun Plants for plantation which helps medical cure and clean environment. The Neem can also be used as bio-pesticide for preventing infestation in food grains.

**18. Future Expansion**

The future expansion endeavour of the Company is always a continuing on process specially in the field of quality improvement and development of new product with lower cost and energy savings. The Management of the Company understands that it has to improve upon to face the ever changing circumstances and evolvments globally.

**Appreciation**

The Board of Directors thank Company's customers, public, 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 : 24-08-13

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 31.03.2013

### A. CONSERVATION OF ENERGY

The Company has developed a novel process at its Karnal Unit for reducing energy and water requirement for Paddy Parboiling process and the same has been applied for patent through Director,

The energy will be utilized just one third of the available with the Company and such saved energy to the tune of two third can be utilized for other productive purposes.

### B. TECHNOLOGY ABSORPTION

#### (i) Research And Development (R&D)

Various R&D initiatives were undertaken which have resulted in :

- a) Development of a system and method for parboiling paddy that obviates husk of paddy from splitting
- b) Development of 100% insect killing technique by using 1/3<sup>rd</sup> of Pesticides
- c) Development of quick cooking Brown Rice;
- d) Use of Neem as Bio-pesticide;
- e) Improvement in Parboiling for improvement in quality parameters;
- f) Use of Plastic Buckets in parboiling plant thus reducing cost;
- g) Development of Bhatti Sella through automation for the first time in India;
- h) Development of Fragrant Rice.
- i) Reducing broken in paddy with very high sun checks under process.
- j) Rice bran stabilization for human consumption under process.
- k) Making bio-compost from waste and reject of paddy under process.

#### (ii) Future plan of action.

- a) The Company will try to assist any R&D Unit of any academy/University in this field.

#### (iii) Expenditure on R & D.

- a) Wages, salaries, stores, spares & consumable used for R&D activities have been debited to respective heads.
- b) The Company has completely indigenous technology & has not imported any technology from abroad.





## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Economic Environment & Rice Industry:-

In 2011-12, India's GDP growth has decelerated sharply to nine year's low of 6.5 percents. The slow down was reflected in all sectors of economy but the industrial sector suffered the sharpest deceleration which decelerated to 2.9 per cent during 2011-12 from 8.2 per cent in 2010-11. The Gross Fiscal Deficit to GDP ratio moved up to 5.8 per cent in 2011-12 compared to the budgeted ratio of 4.6 per cent. The substantial increase in subsidies during 2011-12 on account of high crude oil prices further impacted the deficit to the Government. The year 2011-12 was characterized by a burgeoning current account deficit, subdued equity inflows, depletion of foreign exchange reserves, rising external debts and deteriorating international investment position. Inflation remained elevated at over 7.7 per cent in 2011-12. Further Indian Economy is expected to grow at slowest pace in a decade at a mere 5 per cent in 2012-13 on the back of dismal performance by farm, manufacturing and service sector which is lower than 6.2 per cent growth clocked in 2011-12 and is lowest since 2002-03. The growth in manufacturing sector is expected to drop to 1.9 per cent in 2012-13 from 2.7 per cent in 2011-12. The service sector is likely to grow at 8.6 per cent against 11.7 per cent. The growth in agriculture and allied activities are likely to be lowered to 1.8 per cent in 2012-13 compared to 3.6 per cent in 2011-12. Production of food grains is expected to be 250.14 million tons during 2012-13. The balance of payments which fell sharply in 11-12 showed some improvement in 2012-13. The rupee further depreciated sharply to 54.50 per dollar in dec 2012 and is expected to further fall.

A slow recovery is likely to shape up in Indian Economy in 2013-14 with progressive implementation of some of the reforms announced since Sept 2012. These includes FDI in multi brand retail, Amendment in Banking Regulation Act etc. Food crop production is forecast to reach 250.14 million tons in Financial Year 12-13 as compared with 250 million ton in previous year.

### 2. Outlook – Global Rice Industry:-

Today, agriculture is the backbone of India's economy, providing direct employment to about 66% of working people in the country. It forms the basis of many premier industries of India, including the textile, jute, and sugar industries. Agriculture contributes about 31% to GDP; about 25% of India's exports are agricultural products.

#### India is the Second largest Rice Producing country of the World

Throughout history as per the Archeological evidence **rice** has been one of man's most important foods for more than 5000 years. Today, this unique grain helps sustain two-thirds of the world's population.

The major rice growing area in India are West Bengal, Uttar Pradesh, Madhya Pradesh, Orissa, Bihar, Andhra Pradesh, Assam, Tamil Nadu, Punjab, Maharashtra, Karnataka, Haryana, Gujarat, Kerala, Jammu- Kashmir, Tripura, Meghalaya, Manipur, Rajasthan, Nagaland, Arunachal Pradesh, Himachal Pradesh, Mirozam, Goa, Pondicherry, Sikkim, A & N Island and D & N Haveli.

Through a combination of increasing the area under cultivation and increasing cropping intensity today India is self reliant in Rice. Adoption of modern Varieties, rice production exceeded every year from its previous year since 1988. In India alone, basmati rice, non basmati rice exported during 2012-13 was US \$ 5.6 billion up by 40% from 2011-12. During 2011-12 export of rice from India was 8.30 million tones including 3.21 million tones of Basmati Rice which is expected to be 10 million tons during 2012-13. Over 80% of basmati rice grown in India is produced for export. The increase in demand of rice in India is expected to be followed by world as rice is being used increasingly in other products such as beer, liquor etc heavily consumed in USA, Europe etc.

The monsoon in ensuing season is far less than average which may lead to drought conditions world wide and hence scarcity of food grains especially of rice. This may lead to lesser production and steep price rise world over. Also the domestic demand is expected to rise by 15% annually due to increased spending power of consumer. Increased demand from key importing countries coupled with cheaper hybrid varieties of basmati has boosted India's export. The hybrid variety of basmati is relatively cheaper compared with traditional variety of basmati rice and its easy acceptability in the export market.

So the Company has considerable scope of growth if they capture even little share of the pie.



### **Opportunities & Threats: -**

#### **Opportunities: \_**

- 1 The Company has developed a novel and innovative process which involves recycling of most of the hot water used for soaking of paddy during parboiling of rice, thereby generating little waste water and still having a high quality product.
- 2 The promotion of flagship brand Maharani is on the top agenda of the Company in the time to come. Company has introduced very attractive and novel packagings of Maharani Brand. The Company plans to go for aggressive advertising in print and electronic media and brand equity is likely to be the future strength and business stimulators of the Company.
- 3 The Company has explored new International markets and the continued pursuit of the Management to find new markets world wide and also winning the confidence of the existing customers.
- 4 The Company is also concentrating on new domestic centers through brand promotion, advertising and offering lucrative packaging of quality product at competitive prices.
- 5 The Company's novel and innovative products viz ; Bhatti Sella, Pesticide Residue free rice and quick cooking rice and Rice for Diabetic People having moderate G.I. Sale is picking up in various directions of the World markets particularly the Maharani Rice suitable for Diabetic people. This rice has added qualities like taste, aroma, easy cooking and longer preservation period.
- 6 The Executive director of the Company Sh. Vijay Setia who was President Rice Exporters Association of India has been engaged by an International Company namely M/s Gerson Lehrman Group as a consultant in the field of Food Technology for having in depth knowledge of the subject and he is being paid for that worldwide. This is a major achievement which can be highly instrumental to the growth of the Company in the time to come.

#### **Threats: -**

Under performance of world economy specially USA and UK, global recession and uneven monsoon, high Inflation rate, lower growth in agricultural sector, lower share of agricultural sector in the real GDP frequent change in govt. policy, Govt.'s ban on Non basmati rice were the threats which depressed 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 quiet helpful to overcome such difficulties. Further to this Meteorological Department has predicted a normal monsoon season for 2013 easing worries of the farmers and Millers

As the Company is mainly dependent upon agriculture which totally depends upon the quality of rains in India, 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 another region.

#### **Risks and Concerns**

The unprecedented nature of Rice Industry and volatile prices are areas of concern for which the Company's focus is to make cost of production internationally competitive and reduce 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 or non tariff barriers by other countries may hit or reduce exports. However the Company's focus is also on the domestic market.

#### **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 reachable assurance that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that transaction are authorized, recorded and reported correctly. The internal control system