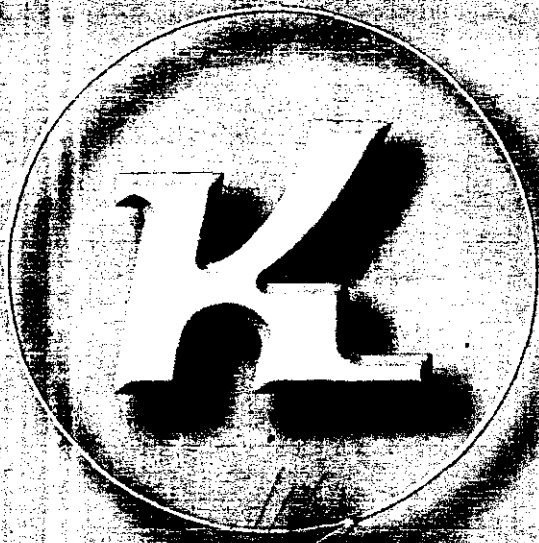


Annual Report 1998-99



**KHAITAN CHEMICALS &
FERTILIZERS LIMITED**

G. N. Khaitan
(Chairman Emeritus)

Board of Directors

Shailesh Khaitan
(Chairman & Managing Director)

Anil Agarwal
O.P. Bagla
J.L. Jajoo

President and Secretary
R.S. Vijayvargiya

Registered Office: & Works

A.B. Road,
Village - Nimrani,
District - Khargone (M.P.)

Delhi Office

806-809, Bhandari House,
91, Nehru Place,
New Delhi 110 019

Calcutta Office

96, Garden Reach Road,
Calcutta 700 023

Indore Office

301-308, Apollo Arcade,
12, Old Palasia,
Indore (M.P.)

Solicitors

Khaitan & Partners
Himalaya House,
23, Kasturba Gandhi Marg,
New Delhi 110 001

Auditors

S.S. Kothari & Co.
9-A, Atma Ram House,
1, Tolstoy Marg,
New Delhi 110001

Bankers

State Bank of India
Industrial Finance Branch,
Indore (M.P.)

Director's Report	6
AuditorsReport	10
Balance Sheet	12
Profit & Loss Account	13
Schedules to Accounts	14
Notice & Proxy Form	30



It is our strong conviction that the resurgence of the Indian Economy can be sustained only upon the modernization and revival of the Agricultural sector.

KCFL-Fertilising Growth

*There is need for consolidation of land holdings, mechanized farming, usage of certified and hybrid seeds, improved irrigation techniques, scientifically advised pesticides, interim storage facilities and **balanced use of Fertilizers.***

*We continue in our commitment to make more and more of **Fertilizer (SSP)** available to the Indian farmer.*

The expansion from 132000 TPA to 264000 TPA in SSP capacity implemented in March, 1998 has been fully stabilized and the company after achieving 102% capacity utilization on expanded capacity, has now undertaken to implement further increase in capacity.

The Company has already earned the distinction of being the single location largest producer of SSP in the country.

We have however not stopped dreaming, because we at KCFL believe that :

*“ Goals are dreams with a timetable
and an implementation plan ”*

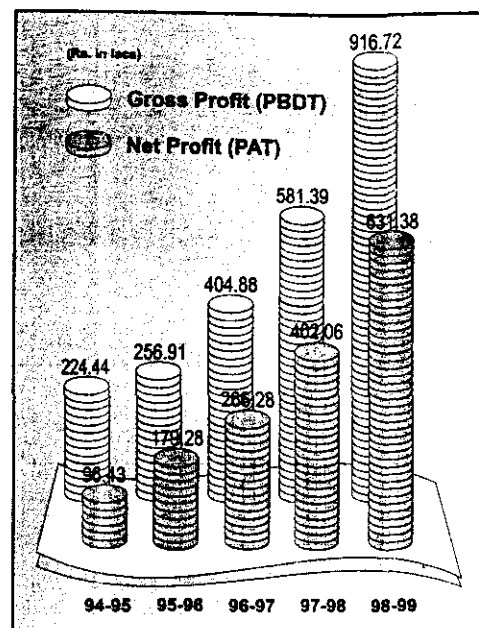
Shailesh Khaitan,
Chairman & Managing Director

KCFL
DEDICATED
TO IMPROVE
AGRICULTURAL
PRODUCTIVITY

Performance-Profitability



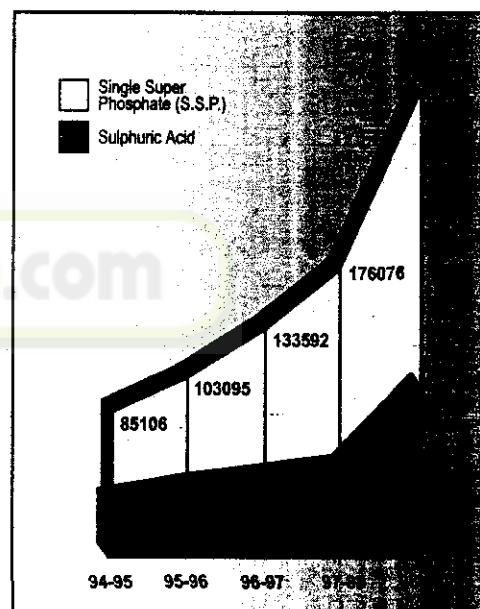
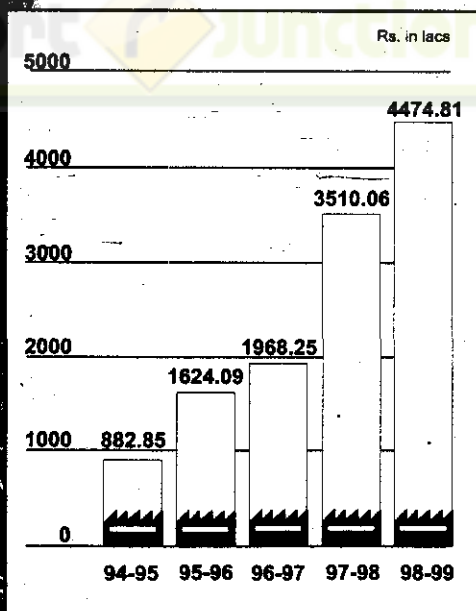
TURNOVER



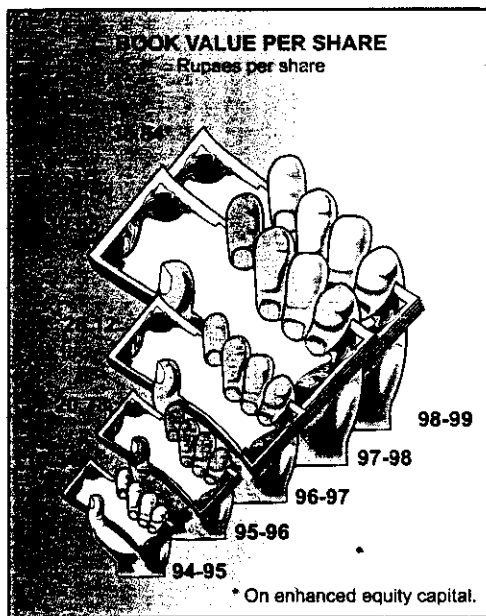
PROFITABILITY

PRODUCTION

GROSS FIXED ASSETS

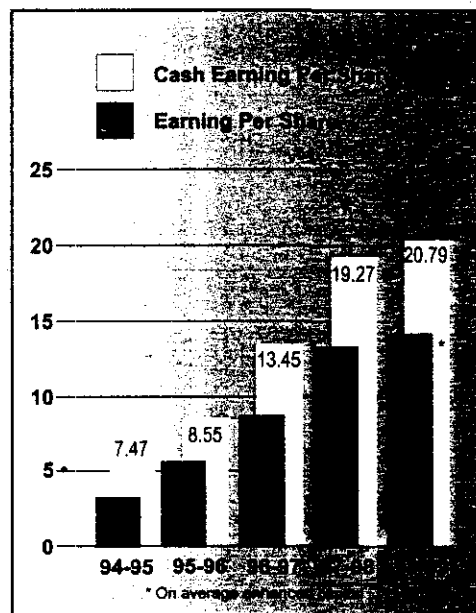
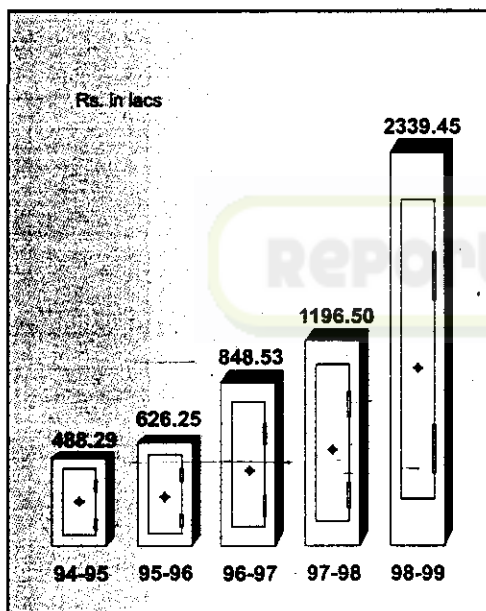


Growing Shareholders Returns



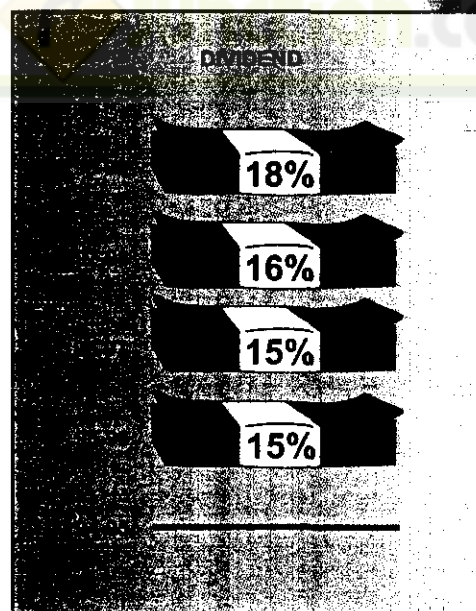
SHAREHOLDERS WEALTH

NET WORTH



EARNING PER SHARE

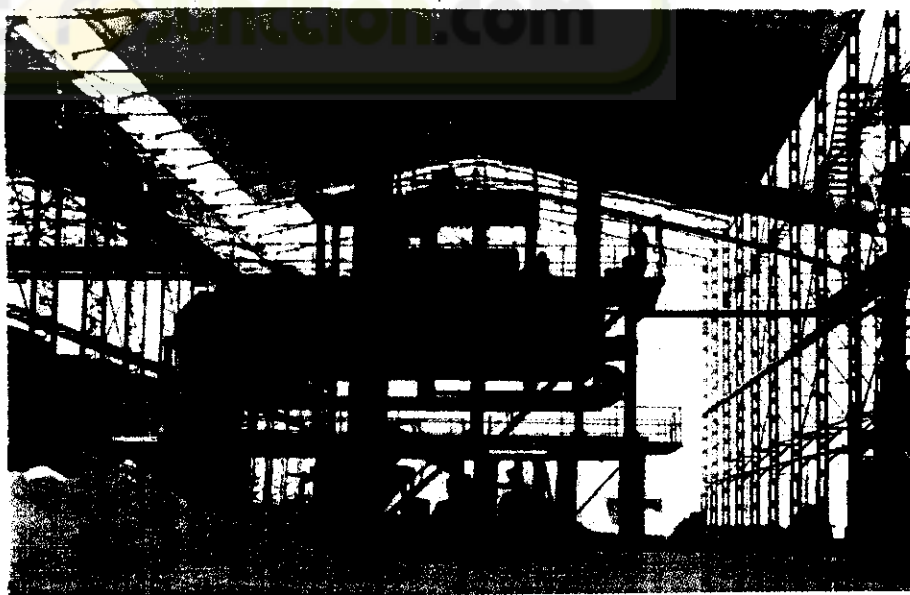
PROFIT SHARING

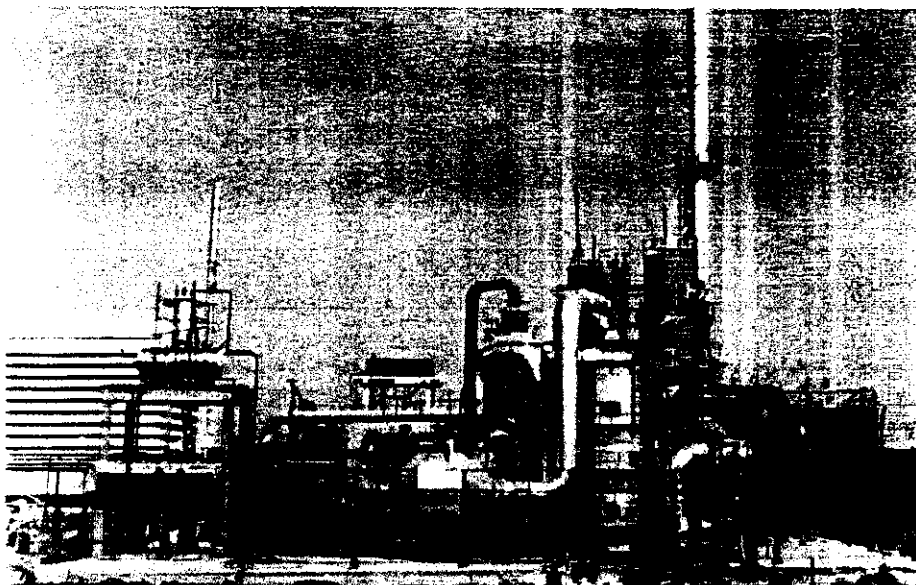


KFCL-Fertilising Growth

KCFL earns the distinction of being the single location largest producer of SSP in the country.

Single Super Phosphate (SSP) Plant-II, 132000 TPA, taking capacity to 264,000 TPA.





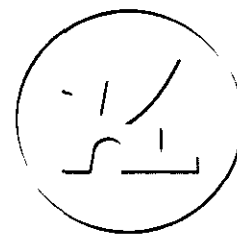
Sulphuric Acid Plant-I, 49500 TPA.

KFCL-Fertilising Growth

Report  junction.com

KCFL
Sulphuric Acid plants
with DCDA technology.

Director's Report



To the members,

Your directors have great pleasure in presenting the Seventeenth Annual Report of the Company together with Audited Accounts for the year ended March, 1999.

FINANCIAL RESULTS

	1998-99 (Rs. in Lacs)	1997-98 (Rs in Lacs)
Surplus before interest and depreciation	1490.30	877.39
Less : Interest	573.13	296.00
Cash Profit before tax	917.17	581.39
Less : Depreciation	205.88	121.20
: Misc. Expenses written off	0.45	-
Surplus before tax	710.84	460.19
Less : Provision for Income Tax	75.52	49.03
Prior Period adjustments	3.94	9.10
Net Profit/Loss for the year	631.38	402.06
Add : Profit B/F from last year's A/c	683.21	366.26
Less : Transfer to -		
- General Reserve	50.00	32.00
- Proposed Dividend @ 18%	87.34	53.11
Surplus Carried Forward	1177.25	683.21

3.2 MW Turbo Generator, based on waste steam.



DIVIDEND:

Your Directors are pleased to recommend 18% dividend on Equity Shares subject to approval of the Financial Institutions/Banks. The Shares allotted during the year shall be eligible for dividend on pro-rata basis from the date of allotment.

PROJECT & FINANCE:

The Company is augmenting and strengthening the production capacities of Single Super Phosphate, plants for which it is availing financial assistance of Rs. 200 lacs from IDBI, Rs. 325 lacs from IFCI and the balance is being funded by issue of Share capital by conversion of Warrant No.1, Rs. 150 lacs, and internal accruals.

The Company has availed of a corporate loan from IDBI Rs. 500 lacs to supplement the long-term working capital requirements.

The Company is also availing working capital facilities from State Bank of India on regular basis as per requirements.

POWER DIVISION:

The Company has also been able to commission the 3.2 MW power plant during the second half of the year. The new Turbo generator is based on waste steam. The power plant is capable of meeting the entire power requirement of the Company and also leave some surplus power available.

PERFORMANCE & FUTURE PLANS

The company has shown excellent performance and in the very first year after increase of capacity in 1998-99, the Company could achieve a capacity utilization of 102% for Single Super Phosphate(SSP) & 94% for Sulphuric Acid (SA) with production of 2,69,409 MT. SSP (previous year 1,76,073 MT) & 1,08,293 MT Sulphuric Acid (Previous year 53298 MT). The turnover has also increased by 75% to Rs. 9061.49 lacs from Rs. 5171.06 lacs despite increased competition, largely on account of quality and brand preference amongst the farmers.

Efficient cost controls, better capacity utilization and better marketing strategies have helped the Company to achieve significantly better results. The earning before interest EBDIT has increased by 70% to Rs. 1490.30 lacs and cash accruals PBDT have increased by 58% to Rs. 917.17 lacs and the PAT has increased by 57% to Rs. 631.38 lacs.

The soybean processing activity could not do well due to the very peculiar market conditions in the international market during last year causing immense hardship to the total Soybean Industry. However, it is expected that the profitability will improve in the current year.

The Management believes that there is a strong demand potential for Single

KFCL-Fertilising Growth

Existing Turbo Generator set.



Super Phosphate. This is upheld by the declared policy of the Government to encourage increased use of phosphatic fertilizers for restoring the NPK balance in the soil. Thus, with the expected increase in demand, higher production capacities put in the company, availability of uninterrupted power, economy of scale, better utilization of waste steam, along with brand preference, your directors are of the opinion that your Company shall continue to perform better in the current year.

Y2K COMPLIANCE

No significant operations are likely to be affected by the Year 2000 problem. The Company has taken appropriate and effective steps to be Y2K compliant by September, 1999. The expenditure to ensure Y2K compliance is not expected to have any material financial impact.

DIRECTORS

IFCI has withdrawn their nominee Director Shri H.S. Tyagi from the Board. Shri J.K. Rathi & Shri. G.N. Khaitan have also resigned from the Board of the company. Shri G. N. Khaitan has however graciously agreed to continue as Chairman Emeritus' in the Company.

Shri. Shailesh Khaitan, who was hitherto managing the Company as Vice Chairman & Managing Director has been appointed as Chairman & Managing Director.

Shri. O.P. Bagla & Shri Anil Agarwal retire by rotation and being eligible offer themselves for reappointment.

AUDITORS

M/s. S. S. Kothari & Co. Chartered Accountants, New Delhi, Auditors of the Company hold office till the conclusion of this Annual General Meeting and being eligible, we recommend their reappointment.

The note on accounts referred to and the Auditors Report are self explanatory and therefore do not call for any explanatory note.

GENERATION OF ENERGY AND TECHNOLOGY ABSORPTION:

On Commissioning of the New Turbo Generator of 3.2 MW in the last quarter of 1998 the Company is able to use the entire waste heat generated from both the Sulphuric Acid Plants in a most productive manner.

Other information as specified U/S 217 (1) (e) of the Companies Act, 1956 is given in Annexed Form - A.

Your Directors are of the opinion that the Company has already opted for latest technology for producing Single Super Phosphate & Sulphuric Acid, hence, information specified to be given in Form B is not applicable.

FOREIGN EXCHANGE EARNING AND OUTGO

The Company has spent Rs. 1043.47 lacs (Previous year Rs. 135.27 lacs) on import of Raw Material and Fees & Subscription.

PARTICULARS OF EMPLOYMENT

Information as per the requirement of Section 217 (2A) of the Companies Act, 1956 is annexed.

ACKNOWLEDGEMENT

Your Directors would like to thank IFCI, IDBI, State Bank of India, various Departments/ Agencies of Central/ State Govt., Shareholders, Employees and the other business associates of the Company for their continued cooperation received during the year.

For and on behalf of the Board

SHAILESH KHAITAN

Chairman & Managing Director

Place : New Delhi

Date: 29.04.1999