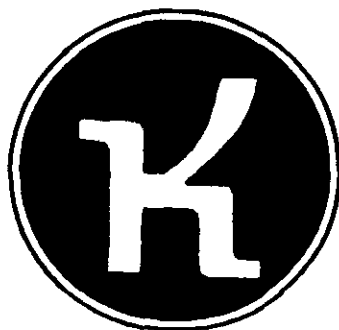


ANNUAL REPORT

1999-2000



KHAITAN CHEMICALS & FERTILIZERS LIMITED

KHAITAN CHEMICALS & FERTILIZERS LIMITED**Board of Directors**

Shailesh Khaitan
(Chairman & Managing Director)

Anil Agrawal
O.P. Bagla
J.L. Jajoo
Dr. P. Goyal

President and Secretary
R.S. Vijayvargiya

Registered Office and Works :

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

Delhi Office :

806-809, Bhandari House
91, Nehru Place,
New Delhi - 110019

Calcutta Office:

96, Garden Reach Road,
Calcutta 700023

Indore Office :

301-308, Appolo Arcade
1/2, Old Palasia
Indore (M.P.)

Solicitors

Khaitan & Partners
Himalya House 23, Kasturba Gandhi
Marg,
New Delhi 110001

Auditors :

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

Bankers :

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

C o n t e n t s

Director's Report
Auditor's Report
Balance Sheet
Profit & Loss Account
Schedules to Accounts
Notice

KHAITAN CHEMICALS & FERTILIZERS LIMITED**DIRECTORS REPORT**

To the members,

Your Directors have pleasure in presenting the Eighteenth Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

	1999-2000 (Rs. in lacs)	1998-99 (Rs. in lacs)
Surplus before interest and depreciation	1122.67	1490.30
Less : Interest	658.96	573.13
Cash Profit before tax	463.71	917.17
Less : Depreciation	242.93	205.88
Misc. Expenses Written off	0.45	0.45
Surplus before tax	220.33	710.84
Less : Provision for Income Tax	26.32	75.52
Prior Period adjustments	1.61	3.94
Net Profit /Loss for the year	192.40	631.38
Add : Profit B/F from last year's A/c	1177.25	683.21
Less : Transfer to -		
- General Reserve	5.00	50.00
- Proposed Dividend @ 11 %	66.29	79.40
- Corporate Dividend Tax	7.29	7.94
Surplus Carried Forward	1291.07	1177.25

DIVIDEND

Your Directors are pleased to recommend 11% dividend on Equity Shares subject to approval of the Financial Institutions / Bank.

PROJECT & FINANCE

The Company has undertaken a project for manufacture of Oleum & Liquid SO₃ at estimated cost of Rs. 146 lacs. The project is being financed by deferring certain non-productive capital expenditure on facilities like roads, staff quarters, storage tanks etc. These assets were earlier approved by IFCI as part of the expansion project of Rs.475 lacs. The IFCI has approved the change of scope of project. The project is on the verge of completion.

The Company has also availed of a corporate loan of Rs. 400 lacs for supplementing the long term working capital requirements.

State Bank of India is financing short term working capital requirement on regular basis as required.

POWER DIVISION

The performance of the Power Plant is satisfactory and is meeting company's almost total power requirements.

PERFORMANCE & FUTURE PLAN

During the year under review the production of Single Super Phosphate has been less due to erratic monsoon in its market zone affecting the consumption of Fertilizer. The Company has reduced production to avoid accumulation of inventory and to save on carrying costs.

This has also resulted in lower production of Sulphuric Acid. Which is mainly used for manufacture of Single Super Phosphate.

To reduce its dependence on its existing markets your Company has diversified into new markets in adjacent areas (i.e. Rajasthan, Eastern M.P., U.P. & Maharashtra). Your Company is also implementing capacities for value added products (i.e. Oleum & Liquid SO₃), which shall enable continuous utilization of Sulphuric Acid Plants capacities.

The Company has discontinued its Soya processing activity during the year.

Your Board has accepted the scheme of Merger of Khaitan Soya Ltd. with the Company which has 400 TPD Solvent Extraction Plant and 100 TPD of Edible Oil refinery under commissioning. The Merger should be beneficial to the shareholders of both the Companies. The shareholders & creditors of the Company had also approved the scheme of merger in their respective meetings as directed by Hon'ble High Court of Madhya Pradesh. However, Financial Institutions & Banks have sought time for conveying their decision on the scheme.

KHAITAN CHEMICALS & FERTILIZERS LIMITED

Your directors are of the opinion that considering all these aspects your Company should continue to perform better in its area of operations.

Y2K COMPLIANCE

The Company had taken adequate measures and is now Y2K compliant. No problem was faced on this account during the transition and thereafter.

DIRECTORS

Shri G.N.Khaitan had conveyed his inability to continue as Chairman Emeritus. The Board has noted the same.

The Board placed on record their appreciation for the valuable guidance received from Shri G.N. Khaitan during his tenure of Chairman Emeritus.

Shri J.L. Jajoo & Shri Anil Agrawal 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 ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The notes 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 :

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.951.72 lacs (Previous year Rs. 1043.47 lacs) on import of Raw Material, Fees & Subscription and Foreign Traveling Expenses.

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 the IFCI, IDBI, the State Bank of India, various Departments/ Agencies of Central / State Govt., Shareholders, Employees and Business Associates of the Company for their continued cooperation received during the year.

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FOR AND ON BEHALF OF THE BOARD

Place : New Delhi

Date : 24.04.2000

(SHAILESH KHAITAN)

CHAIRMAN & MANAGING DIRECTOR

KHAITAN CHEMICALS & FERTILIZERS LIMITED

Form 'A' for disclosure of particulars with respect to conservation of energy and forming part of Directors Report .

A) Power & Fuel Consumption :

	Current Year	Previous Year
1 Electricity :		
a) Purchased Units	959818	3715483
Total amount (Rs in Lacs)	49.27	141.39
Rate/Unit: (Net of subsidy) (Rs.)	5.13	3.81
b) Own generation :		
i. Through diesel generator		
Units	1074311	3579149
Total amount (Rs.in Lacs)	36.09	111.44
Rate/Unit (Rs.)	3.35	3.11
ii. Through steam turbine Units*	8277010	4059809
Total amount	-	-
(*Net of self Consumption in TG)		
2 Coal	-	-
3. Furnace oil & HSD:		
Quantity (K.Lts.)	354.67	530.80
Total Amount (Rs.in lacs)	29.19	32.49
Average Rate /Lt.	8.22	6.12
4. Other/Internal Generation	-	-

B) Consumption	Production Per Unit	Standards	Current Year **	Previous Year **
Electricity (KW)	S.S.P. S.A.	Not available 70(as specified by plant supplier)	25 53	23 48
Others		N.A.	N.A.	N.A.

** Strictly not comparable due to alternate option available in operation i.e. using furnace oil in Hot air generator in SSP and increased productivity and similarly using waste steam for power generation instead of using it in Turbo Blower.

Statement Under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule 1975 & Forming part of Directors' Report:

S No.	Name of Employees/ his qualification/ Designation.	Age/No. of yrs. experience	Date of commencement of Employment	Remuneration (Rs. in Lacs)	Last Employment
A	Employed through out the year.				
1	Shri Shailesh Khaitan B.Com(Hons.)/ Chairman & Managing Director	44/20	01-09-84	14.89	Managing Director, M/s. Majestic Packaging(P)LTD. Calcutta.

1. Remuneration includes salary, Commission, leave travel assistance and expenditure incurred by the Company on other perquisites valued in accordance with the Income Tax Rules, 1962
2. No Employee is related to any Director.
3. Shri Shailesh Khaitan is having 273540 shares. No other employee is having any shares of the Company.

KHAITAN CHEMICALS & FERTILIZERS LIMITED**AUDITOR'S REPORT**

**TO
THE MEMBERS
KHAITAN CHEMICALS & FERTILISERS LTD.**

We report that we have audited the attached Balance Sheet of KHAITAN CHEMICALS & FERTILIZERS LTD. As at 31st March, 2000 and also the annexed Profit & loss account of the Company for the year ended on that date.

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books.
- c) The Balance Sheet and Profit & Loss Account are in agreement with the books of account, and
- d) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting standards referred to in Section 211 (3C) of the Companies Act, 1956, except as stated in (e) below.
- e) Expenses on account of leave pay, land revenue and income of interest on calls in arrears and capital subsidies are accounted for on cash basis.

Subject to the above and read with other notes to Accounts, in our opinion and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :-

1. In case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000.
2. In case of the Profit & Loss Account, of the Profit for the year ended on that date.

As required by the manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Central Government in terms of Section 227 (4 A) of the Companies Act, 1956 and as per the information and explanations given to us during the course of our audit, we report on the matters specified in paragraphs 4 & 5 of the said order as far as applicable to the company as under:

1. The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that these fixed assets have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. As informed to us, physical verification has been conducted by the management at reasonable intervals during the year in respect of finished goods, stores, spare parts and raw materials (except stock lying with outside parties for which confirmation certificates have been obtained in respect of a small portion of such stocks).
4. The procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size and nature of business of the Company.
5. No. Material discrepancy has been noticed on physical verification of stocks as compared to the book records and discrepancies noticed on such verification have been suitably adjusted, wherever considered necessary.
6. On the basis of our examination of stock records, in our opinion, the valuation of the above mentioned stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has taken unsecured loans from companies listed in the Register maintained under Section 301 and 370 (1-C) of the Companies Act, 1956 and the rate of interest and other terms and conditions of such loans are, prima facie, Not prejudicial to the interest of the Company.
8. In case of loans granted to companies, firms or other parties listed in the Register maintained under Section 301 and 370 (1-C) of the Companies Act, 1956, the rate of interest and other terms and conditions of such loans are, prima facie, not prejudicial to the interest of the Company.
9. Advances in the nature of loan are given to employees free of interest and such employees are generally regular in repayment of the principal amount as per stipulations, wherever made.

KHAITAN CHEMICALS & FERTILIZERS LIMITED

10. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangement with parties entered in the register maintained under Section 301 of the companies Act, 1956, and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable, having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
12. The Company has given due importance to identification of damaged inventory in its programme of physical verification and we are informed that no such item identified.
13. The Company has not accepted any deposit from the public to which the provisions of section 58A of the Companies Act, 1956 and rules framed thereunder including directives issued by the Reserve Bank of India apply.
14. The Company is not having any realisable by-product or production scrap.
15. In our opinion, the Company has a departmental internal audit system commensurate with the size and nature of its business.
16. We have broadly reviewed the books of account maintained in pursuance to Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed records and accounts have been made and maintained. However we have not carried out a detailed examination of such records to verify its authenticity and accuracy.
17. The Company has been generally regular in depositing Provident Fund dues with the appropriate authorities. Further, it is explained by the management that the provisions of the Employees State Insurance Act are not applicable to the Company for the year under report.
18. There were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty outstanding for a period exceeding six months from the date they became payable as at 31st March, 2000.
19. As explained to us and to the best of our knowledge and belief, no personal expenses have been charged to revenue account other than those payable under contractual obligation or in accordance with generally accepted business practices.
20. The Company is not a sick industrial company within the meaning of Clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985
21. In relation to trading activity of the Company, we are informed that there were no stocks as at the end of the year.

for S.S.KOTHARI & CO.
Chartered Accountants

(J.KRISHNAN)
PARTNER

PLACE: NEW DELHI
DATED: 24.04.2000

KHAITAN CHEMICALS & FERTILIZERS LIMITED**BALANCE SHEET AS AT 31st MARCH, 2000**

	Schedule	As at 31.03.2000 (Rs.in Lacs)	As at 31.03.1999 (Rs.in Lacs)
	No		
1. SOURCES OF FUNDS :			
Share Holders Funds:			
-Capital	1	602.39	602.35
-Reserves & Surplus	2	1859.96	1741.14
Loan Funds :			
-Secured Loans	3	3391.01	3165.62
-Unsecured Loans	4	370.29	522.34
Total		6223.65	6031.45
2. APPLICATION OF FUNDS:			
Fixed Assets:	5		
-Gross Block		4645.59	4419.98
-Less: Depreciation		1161.25	920.69
-Net Block		3484.34	3499.29
-Add: Capital Work in Progress		99.91	54.83
		3584.25	3554.12
Current Assets, Loans & Advances:	6		
-Inventories		2404.14	2424.97
-Sundry Debtors		885.07	959.87
-Cash & Bank Balances		146.78	111.23
-Other Current Assets		1045.48	823.21
-Loans & Advances		149.76	147.99
		4631.23	4467.27
Less :			
Current Liabilities & Provisions	7	1997.53	1993.98
Net Current Assets		2633.70	2473.29
Miscellaneous Expenditure:	8	5.70	4.04
Total		6223.65	6031.45
Significant Accounting Policies and Notes on Accounts	17		

R.S. VIJAYVARGIYA
President & Secretary

SHAILESH KHAITAN
Chairman & Managing Director

O.P. BAGLA
Director

As per our report of even date attached
for S.S.KOTHARI & CO.
Chartered Accountants

PLACE: NEW DELHI
DATED: 24.04.2000

(J.KRISHNAN)
PARTNER