

REPORT
Shareholders of
Khai Tan Soya Ltd.
Please see Page No. 3

ANNUAL REPORT

2000 - 2001



KHAITAN CHEMICALS & FERTILIZERS LIMITED

KHAITAN CHEMICALS & FERTILIZERS LIMITED**ANNUAL GENERAL MEETING :**

Date : 31st July 2001
 Day : Tuesday
 Time : 3.00 P.M.
 Place : Registered Office

REGISTERED OFFICE :

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

INDORE OFFICE :

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

DELHI OFFICE :

806-808, Bhandari House
 91, Nehru Place,
 New Delhi - 110019

KOLKATA OFFICE :

46-C, Rafi Ahmed Kidwai Road,
 3rd Floor,
 Kolkata - 700 016

WORKS :Fertilizer & Chemical Division

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

Oil Division

Dosigaon, Industrial Area,
 Ratlam (M.P.)

BOARD OF DIRECTORS :

SHAILESH KHAITAN
 (Chairman & Managing Director)
Anil Agrawal - Director
O.P. Bagla - Director
J.L. Jajoo - Director
Dr. P. Goyal - Director

PRESIDENT & SECRETARY :

R.S. Vijayvargiya

AUDITORS :

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

REGISTRAR & TRANSFER AGENT :

M/s. Ankit Consultancy Pvt. Ltd.
 Alankar Point, 2nd Floor, 4-A, Raigarh Kothi,
 Geeta Bhawan Chouraha, A.B. Road,
 INDORE - 452 001

SOLICITORS :

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

BANKERS :

State Bank of India
 State Bank of Indore

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KHAI TAN CHEMICALS & FERTILIZERS LIMITED**(2) Option of Investors**

Every Person subscribing to securities offered by the Company shall have the option to receive security certificate or to hold the securities with a depository. Such a person who is the Beneficial owner of the Securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall in the manner and within the time prescribed issue to the beneficial owner the required Certificate of Securities.

(3) Intimation to Depository:

Where a person opts to hold his security with a Depository the Company shall intimate such depository the details of allotment of the security and on receipt of such information, the Depository shall enter in its record the name of the allotted as the beneficial owner of the security.

(4) Securities in Depositories to be in fungible form :

All securities held by a Depository shall be dematerialised and shall be in fungible form.

(5) Rights of Depositories and Beneficial Owners :

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above the depository as a registered owner of the securities shall not have any voting rights or any other right in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as a beneficial owner in the records of the "Depository" shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of his securities held by a Depository.
- (d) In respect of the shares or other securities of the Company held in dematerialised form, the provisions relating to joint holders contained in these Articles shall mutatis mutandis apply to the joint beneficial owners.

(6) Depository to furnish information:

Every Depository shall furnish to the company information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by the bye-laws and the Company in this behalf.

(7) Section 83 and 108 of the Companies Act, 1956 not to apply

Notwithstanding anything to contrary contained in the Articles:

- (a) Section 83 of the Act shall not apply to the shares with a Depository.
- (b) Section 108 of the Act shall not apply to transfer of security effected by the transferor and the transferee, both of whom are entered as beneficial owner in the records of a Depository.

(8) The company to recognise the rights of Registered Holders as also the Beneficial Owner in the records of the Depository.

Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears in the register of Members as the holder of any Share or whose name appears as the beneficial owner of any share in the records of the Depository as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognise any benami, trust or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof. But the Board of Directors shall be at liberty to register any Shares in the joint names of any two or more persons or the survivor or survivors of them.

(9) Register and Index of Beneficial Owners:

The Company shall maintain a Register and Index of Members in accordance with all applicable provisions of the Companies Act, 1956, and the Depositories Act, 1996, and the rules framed thereunder with the details of shares held in material and dematerialised form in any media as may be permitted by law including any form of electronic media. The Register and Index of Beneficial Members maintained by a Depository under Section II of the Depositories Act, 1996 shall be deemed to be a Register and Index of Members for the purpose of this Act

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The Company shall cause to keep Register and Index of Debenture-holders in accordance with the provisions of the Companies Act, 1956. The Company may also keep a Foreign Register of Members and Debenture-holders in accordance with the provisions of the Companies Act, 1956.

(10) Applicability of the Depositories Act:

In case of transfer of shares, debentures and other marketable securities where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

V. Insert the following article 29 (3) (a) and 29 (3) (b) after existing Article 29 (2):**"NOMINATION INTER VIVOS"****29 (3) (a) "Nomination"**

- (1) Every holder of shares in or debentures of the Company may at any time nominate in the manner prescribed under the Act, a person to whom his shares, in or debentures of, the Company shall vest in the event of death of such holder.
- (2) Where the shares in or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company as the case may be, held by them shall vest in the event of death of all joint holders.
- (3) Notwithstanding any thing contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, or in these Articles, in respect of such shares in or debentures of the Company, where a nomination made in prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the holder, or as the case may be, on the death of the joint holders of shares or debentures become entitled to all the rights of the deceased holder or, as the case may be, of all the deceased joint holders in such shares or debentures to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner prescribed under the provisions of the Act.
- (4) Where the nominee is minor, it shall be lawful for the holder of the shares or debentures to make the nomination or appoint, in the manner prescribed under the provisions of the Act, any person to become entitled to shares in or debentures of the Company, in the event of his death, during the minority.
- (5) The provisions of this Article shall apply mutatis mutandis to a depositor of money with the Company as per the provisions of Section 58A of the Act.

29 (3) (b) "Transmission in the name of nominee"

- (1) Any person who becomes a nominee by virtue of the provisions of Article 29 (3)(b), upon production of such evidence as may be required the Board and herein after provided, shall elect, either-
 - (i) To be registered himself as holder of the shares or debentures, as the case may be; or
 - (ii) To make such transfer of the shares or debentures, as the case may be, as the deceased share holder or debenture holder, could have made.
- (2) If the nominee elects himself to be registered as holder of the shares or debentures as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied by the certificate of death of the deceased holder and the certificate(s) of shares or debentures as the case may be held by the deceased in the Company.
- (3) Subject to the provisions of Section 109B(3) of the Act and these Articles, the Board may register the relevant shares or debentures in the name of the nominee or the transferee as if the death of the registered holder of the shares or debentures had not occurred and the notice or transfer were a transfer signed by the registered holder.
- (4) A nominee on becoming entitled to any shares or debentures by reason of the death of the holder or joint holders shall be entitled to the same dividends and other advantages to which he would have been entitled if he were the registered holder of the shares or Debentures, except that he shall not, before being registered as a holder of such shares or debentures, be entitled in respect of them to exercise any right conferred on a member or debenture holder in relation to meetings of the Company.

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- (5) The Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares or debentures, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses, interest or other moneys payable or rights accrued or accruing in respect of the relevant shares or debentures, until the requirements of the notice have been complied with.

"RESOLVED THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this resolution."

6. **To Consider and if thought fit to pass with or without modification(s) the following resolution as Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 17 of the Companies act, 1956, and other applicable provisions if any, Object Clause 3 of the Memorandum of Association of the Company be altered by inserting following New clause in Part C of Memorandum of Association after clause 35:

OTHER OBJECTS:

36. To carry on business as manufacture/ grower / traders / multiplier in all kinds of truthful, certified , foundation and breeder seed farming including agriculture, horticulture, forestry, floriculture, pisciculture, viticulture, poultry, sericulture, aquaculture, animal husbandry, vegetables and other allied activities.

All the existing objects of clause 3 of Memorandum of Association of the Company will remain unchanged.

7. **To Consider and if thought fit to pass with or without modification(s) the following resolution as Special Resolution:**

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies act, 1956, the Articles of Association of the Company be and are hereby altered as follows:

The Article 80 be amended by inserting new sub clause to read as under :

BORROWING POWERS

80(8). The Board may from time to time and at its discretion, subject to the provisions of Section 58A , 292 and 293 of the Companies Act, 1956 and Regulations made thereunder and directions issued by the RBI raise or borrow, either from the Directors or from elsewhere and secure the payment of any sums of money for the purpose of the Company.

8. **To Consider and if thought fit to pass with or without modification(s) the following resolution as Special Resolution:**

"RESOLVED THAT in accordance with the provisions of Section 149 (2A) of the Companies Act, 1956, approval of the Company be and is hereby accorded for commencement and undertaking of the following business:

- To acquire, promote, establish and carry on business of manufacturers, processor and traders of all type of oilseeds, vegetable seeds, other intermediates and final product from such seeds including refining of oil.
- To carry on business as manufacture/ grower / traders / multiplier in all kinds of truthful, certified , foundation and breeder seed farming including agriculture, horticulture, forestry, floriculture, pisciculture, viticulture, poultry, sericulture, aquaculture, animal husbandry, vegetables and other allied activities.

9. **To consider and, if thought fit, to pass with or without modification the following resolution as special resolution:**

"RESOLVED that pursuant to the provisions of Section 146 and other applicable provisions, if any, of the Companies Act, 1956, the registered office of the Company be shifted from Works at Nimrani, Distt. Khargone (M.P) to Indore.

Registered Office:

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

Date: 31st May, 2001

By Order of the Board

S/d

(R. S. Vijayvargiya)
President & Secretary

KHAITAN CHEMICALS & FERTILIZERS LIMITED**NOTES :**

1. A member entitled to attend and vote is entitled to appoint a proxy and vote instead of himself and such proxy need not be a member of the Company. Proxy Form must reach the Company's Registered Office at least 48 hours prior to the time of holding the meeting.
2. Member(s)/Proxies should bring the attendance slip annexed herewith duly filled in for attending the meeting.
3. The Register of Members and Transfer Book of the Company will remain closed from 16th day of July, 2001 to 31st day of July, 2001 (both days inclusive).
4. **EXCHANGE OF SHARES OF KHAITAN CHEMICALS & FERTILIZERS LTD. (KCFL) DUE TO AMALGAMATION OF KHAITAN SOYA LIMITED WITH KHAITAN CHEMICALS & FERTILIZERS LTD. MEMBERS WHO HAVE NOT YET EXCHANGED THEIR SHARE CERTIFICATES OF KCFL, PLEASE SEND THE SHARE CERTIFICATE ALONG WITH THE ENCLOSED FORM DULY FILLED WITH ALL REQUIRED INFORMATION TO OUR REGISTRAR AND SHARE TRANSFER AGENT M/S. ANKIT CONSULTANCY PVT. LIMITED, ALANKAR POINT, 2ND FLOOR, GEETA BHAWAN CHOURAHA, A. B. ROAD, INDORE-452 001 FOR EXCHANGE IN PHYSICAL OR DEMAT FORM .**
5. **DEMATERIALIZATION OF EQUITY SHARES AND REGISTRAR FOR DEMAT SHARES.**
Members are requested to note that facility of dematerialisation of Equity Shares with Central Depository Services (India) Limited (CDSL) and National Securities Depository Ltd (NSDL) has been made operative and security has been allotted International Securities Identification Number (ISIN) INE745B01010.
6. **BRIEF PROCEDURE FOR DEMATERIALIZATION :**
To get your shares dematerialised you have to open an account with the DP and have to surrender your share certificates alongwith dematerialised request form to your DP who will send the shares to the Company for dematerialisation. The Company after proper verification will accept the dematerialise request and will confirm the Demat through its Registrar to DPs. The DPs will in turn confirm to the shareholders.
7. Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is annexed.

EXPLANATORY STATEMENT : PURSUANT TO SEC 173 (2) OF THE COMPANIES ACT, 1956.**Item No. 5**

With the introduction of the Depositories Act, 1996 and the Depository system some of the provisions of the Companies Act, 1956 relating to the issue of holding, transfer, transmission of Shares and other securities have been amended to facilitate implementation of the new system

The Depository System is a far safer and more convenient method for holding and trading in the securities of a Company.

By Notification No. SMDRP/POLICY/CIR-23/2000 of SEBI Dated May 29, 2000, the trading in the shares of your Company has been put under compulsory demat with effect from 26.03.2001 for all classes of investors

In order to facilitate the introduction of depository system in the Company, the Articles of Association need to be amended to bring them in line with the provisions of the Depositories Act 1996 and the amended Companies Act 1956 to that effect and to indicate therein the rights of the beneficial owners of the securities in such a system.

Further, the Companies Act 1956 as amended by the Companies (Amendment) Act, 1999 has provided to every holder of securities of and every depositor with Companies an option to nominate a person to whom the rights of the holder of any securities of, or of the depositor with a Company shall vest in the event of the death of the holder(s) of such securities or of the depositor(s).

To provide facility of nomination to our shareholders, necessary amendments are proposed in the Articles to bring them in line with the amendments made in the Companies Act, 1956

The provisions in regards to nomination by the shareholders/debenture holders of the Company have been inserted/amended vide Companies (Amendment) Act, 1999. Hence, related Articles require to bring alteration to Articles of Association of the Company in tune with the amended provisions of the Companies Act 1956 the Board of Directors recommend the members to pass the necessary resolution as a Special Resolution.

KHAITAN CHEMICALS & FERTILIZERS LIMITED

The Articles of Association of the Company together with proposed alteration is available for inspection by the members of the Company at its Registered Office between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the Meeting.

None of the directors is concerned or interested in the said resolution.

The Board recommends the proposed resolution for your approval.

Item No. 6

The Company is planning to incorporate few more activities and object under Part C of the Clause 3 of the Memorandum of Association of the Company with the existing objects. This will make convenient to the Company to undertake new and more profitable activities according to changing industrial environment. Provisions of Section 17 of the Companies Act, 1956, require Special Resolution in General Meeting of the Company to alter the Memorandum of Association.

None of the Directors are concerned or interested in the said resolution.

The Board recommends the proposed resolution for your approval.

Item No. 7

According to Section 292 and 293 of the Companies Act, 1956, Board of Directors are authorised to borrow money. As per new sub clause this powers are specifically empowered to the Board so that they can meet with the requirements of the fund as & when required. Provisions of Section 31 of the Companies Act, 1956, require Special Resolution in General Meeting of the Company to alter the Articles of Association.

None of the Directors are concerned or interested in the said resolution.

The Board recommends the proposed resolution for your approval.

Item No. 8

After amalgamation of Khaitan Soya Ltd. the company explicitly willing to expand and commence its activities in the field of Certified Seeds and Soya Processing. However, to commence new business, approval of shareholders is required by way of Special Resolution.

None of the Directors are concerned or interested in the said resolution.

The Board recommends the proposed resolution for your approval.

Item No. 9

After the Amalgamation of Khaitan Soya Ltd. with the Company, the share holder base of the Company have increased. Further now, Company have multi location production facilities. Shifting of registered office from Works at Nimrani, Distt. Khargone (M.P) to Indore, shall facilitate the better administrative control alongwith better service to the increased share holder base.

The special resolution placed before the members is recommended for their approval.

None of the Directors is concerned or interested in the resolution.

Registered Office:

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

Date: 31st May, 2001

By Order of the Board

S/d

(R. S. Vijayvargiya)
President & Secretary

KHAITAN CHEMICALS & FERTILIZERS LIMITED**DIRECTORS REPORT**

To the members,

Your Directors have pleasure in presenting the Nineteenth Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS

	2000-2001 (Rs. in lacs)	1999-2000 (Rs. in lacs)
Surplus before interest and depreciation	822.35	1244.09
Less : Interest	777.83	677.69
Cash Profit before tax	44.52	566.40
Less : Depreciation	373.53	324.47
: Misc. Expenses Written off	3.66	1.39
Surplus before tax	(332.67)	240.54
Less : Provision for Income Tax	--	28.65
: Prior Period adjustments	4.06	70.91
Net Profit /Loss for the year	(336.73)	140.98
Add : Profit B/F from last year's A/c	1423.27	1360.87
Less : Transfer to		
- General Reserve	--	5.00
- Proposed Dividend	--	66.29
- Corporate Dividend Tax	--	7.29
Surplus Carried Forward	1086.54	1423.27

DIVIDEND

Due to inadequacy of Profit, the Directors are unable to recommend any dividend.

MERGER

The Hon'ble High Court of Madhya Pradesh Bench at Indore has sanctioned the scheme of Amalgamation of Khaitan Soya Ltd. with the Company with effect from 1st April, 1999.

The Accounts of the Company, therefore, redressed for the year ended 31st March, 2001 so as to include transaction related to Khaitan Soya Limited for the year ended 31.03.2000.

PROJECT & FINANCE

During the year the company has completed project of Oleum & Liquid SO₃ at village Nimrani and also 100 TPD Edible Oil Refinery at Ratlam.

All these value added products shall enhance profitability and competitiveness of the company.

INVESTMENT

During the year under review the Company has invested Rs. 4,35,150 for purchase of 290100 Equity Shares of M/s Shrinivas Fertilizers Ltd. and also executed the Financial & Technical Collaboration Agreement through Mr. Shailesh Khaitan, Chairman & Managing Director of the Company with Shrinivas Fertilizers Limited. The agreement shall prove a strategic alliance to expand the market.

POWER DIVISION

The performance of the Power Plant is satisfactory and is meeting Company's almost total power requirements at Fertilizer & Chemical division

PERFORMANCE & FUTURE PLAN

The Company had to face very poor off take of fertilizer due to worst ever monsoon of last 40 year, faced by the State of Madhya Pradesh and consequently faced severe pressure on profitability.

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The solvent Extraction Plant of merged Company had been hit by sudden downfall of price of soya meal during last quarter of the year. Inspite of poor Financial Performance during the period under review, mainly due to exceptional circumstance beyond company's control, your directors are of the opinion that considering the basic strength of the company, the performance of the company shall be better in coming years

DIRECTORS

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

FIXED DEPOSITS

During the year under review Company has not accepted any deposits from the public pursuant to the provisions of Section 58A of the Companies Act, 1956 and the Deposit Rules.

AUDITORS & AUDIT REPORT

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, Seed Processing & Oil Refinery. Hence, information specified to be given in Form-B is not applicable.

FOREIGN EXCHANGE EARNING AND OUTGO:

The Company has earned 8.12 lacs on export of goods (Previous year NIL) and spent Rs. 808.05 lacs (Previous year Rs. 1012.10 lacs) on import of Raw Material, Capital Goods for edible Oil refinery project, Fees & Subscription, Interest on Foreign Currency Loan and Foreign Traveling Expenses

DIRECTORS' RESPONSIBILITY STATEMENT

Following is the Directors' Responsibility Statement as required under section 217 (2AA) of the Companies (Amendment) Act, 2000, in respect of the financial statements, the Directors' confirm that:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the statement of affairs of the Company at the end of the Financial year ended 31.03.2001 and of the Profit or Loss of the Company for that period;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting record in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE

The Board has constituted the Audit Committee in line with the requirements under Section 292A of the Companies Act, 1956, comprising the following Directors as its members:

Shri Shailesh Khaitan, Shri J.L. Jajoo, Shri O.P. Bagla

The Committee acts in accordance with the terms of reference specified by the Board of Directors of the Company.

DEMATERIALISATION OF SHARES OF YOUR COMPANY

The Directors are pleased to inform that equity shares of your Company are available in the Electronic Form to all the Shareholders, well in ahead of the deadline date of 26th March, 2001 fixed by the SEBI.

KHAITAN CHEMICALS & FERTILIZERS LIMITED**CORPORATE GOVERNANCE**

Recent amendments to the Listing Agreement with Stock Exchanges require the Company's compliance of Corporate Governance norms with effect from year ended 31st March, 2002. The mandatory and non-mandatory requirements are in the course of implementation.

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

FOR AND ON BEHALF OF THE BOARD

Place : New Delhi
Date : 31.05.2001

(SHAILESH KHAITAN)
CHAIRMAN & MANAGING DIRECTOR

