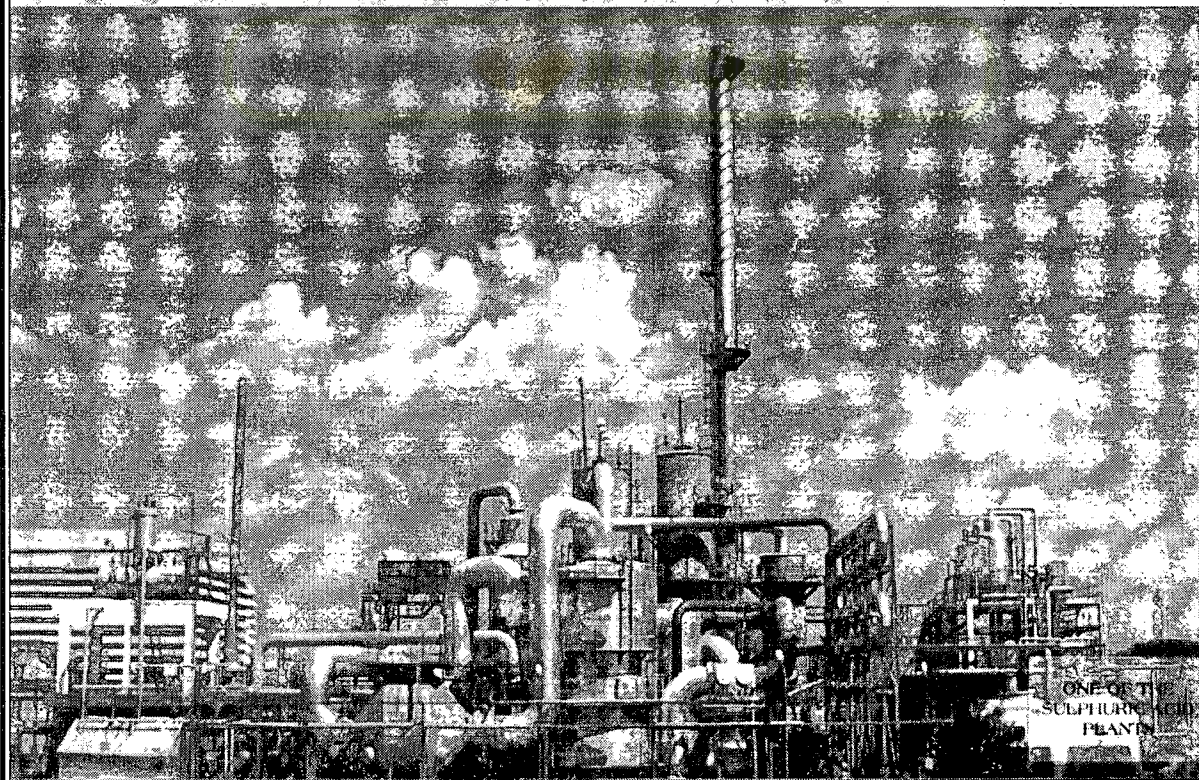
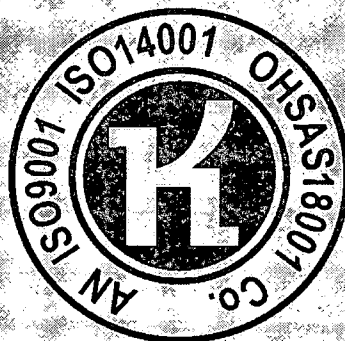


KHAITAN CHEMICALS & FERTILIZERS LIMITED

27th ANNUAL REPORT

2008 - 2009





KHAITAN CHEMICALS & FERTILIZERS LIMITED

ANNUAL GENERAL MEETING :

Date : 31st July, 2009
Day : Friday
Time : 1.00 P.M.
Place : Registered Office

BOARD OF DIRECTORS :

Shailash Khaitan : Chairman & Managing Director
J.L. Jajoo : Director
O.P. Bagla : Director
Dr. P. Goyal : Director

REGISTERED OFFICE :

A. B. Road, Village Nimrani,
Tehsil Kasrawad,
Dist. Khargone - 451 569 (M.P.)

PRESIDENT & SECRETARY:

R. S. Vijayvargiya

INDORE OFFICE :

301-308, Apollo Arcade,
1/2, Old Palasia,
Indore - 452 018 (M.P.)

AUDITORS:

S. S. Kothari Mehta & Co.
146-149, Tribhuvan Complex, Ishwar Nagar, Mathura Road,
New Delhi-110 065

DELHI OFFICE :

201, Skipper House,
62-63, Nehru Place,
New Delhi-110 019

SOLICITORS:

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

KOLKATA OFFICE :

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

BANKERS:

State Bank of India
State Bank of Indore
IDBI Bank Ltd.

WORKS :

Fertilizer & Chemicals Division:

1. A.B. Road,
Village Nimrani, Tehsil Kasrawad,
Dist. Khargone-451 569 (M.P.)
2. Village Goramachia, Kanpur Road,
Jhansi-248 001 (U.P.)
3. Village Dhinva, Tehsil Nimbahera
Dist. Chittorgarh-312 601 (Rajasthan)
4. A-1, UPSIDC Industrial Area,
Village Malvan,
Dist. Fatchpur-212 664 (U.P.)

Soya Division (Khaitan Agro):

Dosigaon Industrial Area,
Ratlam-457 001 (M.P.)

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Listing of Shares:

The Mumbai Stock Exchange (B.S.E.)

Stock Code: 507794

ISIN No.: INE745B01010 (NSDL & CDSL)

Note : As per SEBI Circular No. MRD/DoP/Cir-05/2009 dated May 20, 2009 it will be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTAs for registration of transfer of shares in physical form of listed companies. In absence of above transfers will be liable to be rejected. Shareholders are therefore required to submit transfer deed alongwith a copy of PAN Card for transfer of shares.

KHAITAN CHEMICALS & FERTILIZERS LIMITED

खेतान केमिकल्स एंड फर्टिलाइजर्स लि. की निमरानी स्थित इकाई को लगातार चतुर्थ वर्ष "पर्यावरण सुरक्षा अवार्ड" फर्टिलाइजर्स एसोसिएशन ऑफ इंडिया नई दिल्ली द्वारा वर्ष 2007-08 के लिये केन्द्रीय कृषि सचिव भारत सरकार श्री अतुल चतुर्वेदी द्वारा प्रदान किया गया। दृष्टव्य: कम्पनी के प्रेसिडेंट श्री आर.एस. विजयवर्गीय पुरस्कार प्राप्त करते हुए। समीप श्री के.एस.राजू अध्यक्ष एफ.ए.आई. तथा श्री ए. वैल्लायन सह अध्यक्ष एफ.ए.आई.।

NOTICE

NOTICE is hereby given that the **TWENTY SEVENTH ANNUAL GENERAL MEETING OF KHAITAN CHEMICALS & FERTILIZERS LTD.** will be held at the Registered Office of the Company at A. B. Road, Village NIMRANI, Tehsil Kasrawad, Dist. Khargone, Madhya Pradesh on Friday, the 31st day of July, 2009 at 1.00 P.M. to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2009 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri O.P. Bagla, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 and subject to the approval of the shareholders in the general meeting the consent of the Company be and is hereby accorded to the Board of Directors to borrow any sum or sums of money from time to time from any one or more of the Company's bankers in the ordinary course of business in excess of the aggregate of the paid up capital and free reserves of the Company notwithstanding that moneys to be borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves that is to say, Reserves not so set apart for any specific purpose provided that the total amount upto which moneys may be borrowed by the Board of Directors shall not exceed the aggregate of the paid up capital and free reserves of the Company by more than the sum of Rs. 400 Crores (Rs. Four Hundred Crores only)."

Registered Office:
A. B. Road, Village-Nimrani,
Dist. Khargone (M.P.)
Date: 16.05.2009

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 24th July, 2009 to 31st July, 2009 (both days inclusive).
4. Members are requested to notify to the Company immediately, quoting Registered Folio No., Change in their Address, if any, with the pin code number.
5. Non-resident members are requested to immediately notify: - (i) change in their residential status on return to India for permanent settlement; and (ii) particulars of NRE account, if not furnished earlier.
6. Members who are holding shares in identical names in more than one folios, are requested to write to the Company/ Ankit Consultancy Pvt. Ltd. the Registrar and share transfer agent, to consolidate their holding in one folio.
7. Shareholders who are still holding physical share certificate are advised to dematerialise their shareholding to avail benefit of dematerialisation.
8. The Company has transferred all unpaid/unclaimed equity dividends up to the financial year 1999-2000 to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to section 205C of the Companies Act, 1956.
9. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the President & Secretary at least seven days before the date of the meeting so that the required information can be made available at the meeting.
10. Explanatory Statement pursuant to provisions of Sec. 173(2) of the Companies Act 1956 is annexed.

EXPLANATORY STATEMENT PURSUANT TO SEC 173(2) OF THE COMPANIES ACT 1956:

Item No. 5

As the Company plans expansion of its business by setting up new projects to meet the financial requirements, the Board of Directors may borrow for/on behalf of the Company further sums of money in excess of Company's paid up capital and its free reserves and it is desirable that as a matter of abundant caution, to provide a sufficient margin for such loans to be covered by the borrowing powers of the Board. Therefore in terms of Section 293(1)(d) of the Companies Act, 1956, the resolution is recommended for approval of the Shareholders of the Company for increase in the authorised sum which may be borrowed by the Board of Directors from Rs. 200 Crores to Rs. 400 Crores. None of the directors is concerned or interested in the said resolution.

Your Directors recommend its approval.

Registered Office:

A. B. Road, Village-Nimrani,

Dist. Khargone (M.P.)

Date: 16.05.2009

By Order of the Board

S/d.

(R. S. Vijayvargiya)

President & Secretary

Details of Director seeking re-appointment at the Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri O.P. Bagla
Age	66 years
Qualification	Chartered Accountant
Date of Appointment	7th March, 1989
Expertise	Rich and vast experience in the field of Taxation and Finance.
Other Directorships (excluding Pvt. Companies) as on 31st March, 2009	Nil
Chairman / Member of the Committees as on 31st March, 2009	1. Khaitan Chemicals & Fertilizers Ltd. Member : 1. Audit Committee 2. Shareholder's / Investor's Grievance Committee Chairman: 1. Audit Committee 2. Shareholder's / Investor's Grievance Committee

KHAITAN CHEMICALS & FERTILIZERS LIMITED**DIRECTORS' REPORT**

To the members,

Your Directors have pleasure in presenting the 27th Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS

(Rs. in lacs)

	2008-2009	2007-2008
Surplus before interest and depreciation	4481.66	2898.96
Less: Interest & Financial Expenses	1963.59	901.65
Cash Profit before tax	2518.07	1997.31
Less: Depreciation	683.77	668.01
Misc. Expenses Written off	1.35	2.06
Surplus before tax	1832.95	1327.24
Prior Period adjustments	(202.94)	(16.49)
Profit /(Loss) before taxation	1630.01	1310.75
Provision for current tax	(532.26)	(315.59)
Deferred Tax	(10.22)	(99.65)
Fringe Benefit Tax	(18.56)	(14.95)
Profit /(Loss) after taxation	1068.97	880.56
Income Tax of earlier year	42.26	21.38
Add: Transfer from Capital Subsidy	2.09	1.42
Net Profit/(Loss)	1028.80	903.36
Add: Profit/(Loss) B/F from previous year	1584.72	985.61
Less: Transfer to -		
- General Reserve	100.00	100.00
- Proposed Dividend	174.58	174.58
- Corporate Dividend Tax	29.67	29.67
Balance carried to Balance Sheet	2309.27	1584.72

DIVIDEND

Your Directors are pleased to recommend Rs. 1.80 per share (Previous Year: Rs. 1.80 per share) Dividend on Equity Shares.

PROJECT & FINANCE

Due to uncertainties in the economic environment, the Company has neither undertaken any major capital expenditure nor any loan has been raised from banks / financial institutions during the year.

Rock Phosphate, one of the key raw materials in SSP industry is in short supply in the country as a result in the coming years SSP industry will have to depend on the imported Rock Phosphate and realizing this future hardship your company is planning to set up a SSP plant at Dahej, Gujarat and has accordingly acquired land.

Total Capital outlay on Dahej plant is expected to be around Rs. 2000 - 2500 Lacs.

PERFORMANCE & FUTURE PLAN

The Soybean season has started alongwith economic turmoil across the world which had led to take cautious approach about the commodity prices. However, Soybean prices have started rising with no infront crushing margin throughout the year.

Consequently, the crushing of Soybean during the year is significantly low.

On announcing new rational policy of SSP Fertilizer in April' 08, the Company has geared up to produce single super phosphate amidst rising Sulphur prices and Rock Phosphate inspite of delay in release of subsidy.

The Company has to suffer considerable loss due to sudden fall in sulphur prices during Sept 2008 - Nov. 2008 for its normal inventory. The prices of Sulphuric Acid had made the operation of Sulphuric Acid Plant unviable. The steep



KHAITAN CHEMICALS & FERTILIZERS LIMITED

depreciation of the Rupee against US Dollar also resulted in incurring considerable loss of Rs. 794.79 Lacs during the year. (Previous Year: Profit Rs. 286.77 Lacs).

In spite of all these, Company's overall performance could be said satisfactory.

AMALGAMATION

Company's application to Hon'ble High Court of Madhya Pradesh, Bench at Indore, for seeking amalgamation of the Shobhan Enterprises Private Ltd. with the Company w.e.f. April 1, 2007 (the transfer date) is still pending.

However, now the Company has acquired 400000 Shares at an investment of Rs 240 Lacs and therefore thinks it fit to withdraw the amalgamation petition.

DIRECTORS

Shri O.P. Bagla retires by rotation and being eligible offers himself for re-appointment. Particulars of the retiring Director are given in the notes forming part of the notice for the ensuing Annual General Meeting.

FIXED DEPOSITS

During the year under review the 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 Mehta & 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 Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limit prescribed u/s 224 (1) of the Companies Act, 1956.

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

M/s. M. P. Turakhia & Associates, Cost Accountants were appointed as Cost Auditors to conduct cost audit of the accounts maintained by the Company in respect of its Fertilizers and Sulphuric Acid products for the financial year 2009-2010.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Information as specified U/S 217 (1) (e) of the Companies Act, 1956 is given in Annexure A in **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 Rs. NIL on export of goods (Previous year Rs. 2320.96 lacs) and incurred Rs. 3760.52 lacs (Previous year Rs. 1866.04 lacs) on import of Raw Materials, Fees & Subscription and Interest on Foreign Currency Loan.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies (Amendment) Act, 2000, your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. 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 31.03.2009 and of the Profit and Loss of the Company for that period;
3. the Directors have taken proper and sufficient care 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;
4. the Directors have prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In accordance with the listing agreement, the management discussion and analysis report is given in **Annexure - B**.

CORPORATE GOVERNANCE

Your Company attaches considerable significance to good Corporate Governance as an important step towards building investors' confidence, improve investors' protection and maximizing long-term shareholder's value. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Compliance Report on Corporate Governance and Auditors' Certificate regarding compliance of conditions of Corporate Governance is given in **Annexure - C**.

LISTING OF SHARES

The shares of the Company are listed at The Stock Exchange Mumbai (BSE), which provides wider access to the investor nationwide.

The Company has made all the compliances of Listing Agreement including payment of annual listing fees to the Stock Exchange BSE.

KHAITAN CHEMICALS & FERTILIZERS LIMITED**PARTICULARS OF EMPLOYMENT**

Information as per the requirement of Section 217(2A) of the Companies Act, 1956 is given in **Annexure-A**.

ACKNOWLEDGEMENT

Your Directors would like to thank the State Bank of India, State Bank of Indore, IDBI Bank Ltd., various Departments/ Agencies of Central/State Govt., Shareholders, Employees and Business Associates of the Company for their continued co-operation received during the year.

For and on behalf of the Board

Place: New Delhi

Date: 16.05.2009

(SHAILESH KHAITAN)

CHAIRMAN & MANAGING DIRECTOR

Annexure - 'A'

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	8999815	9300739
Total amount (Rs. in Lacs)	465.45	482.36
Rate/Unit (Rs.)	5.17	5.19
b) Own generation:		
i. Through diesel generator Units	31534	133866
Total amount (Rs. in Lacs)	4.17	15.21
Rate/Unit (Rs.)	13.22	11.36
ii. Through steam turbine Units	4299995	6911050
Total amount (excluding co-generation)	-	-
(* Net of Self Consumption in TG)		
2. Coal:		
Quantity (In MT)	5014	9794
Total Cost (Rs. in Lacs)	222.11	362.43
Rate/Unit (MT) (Rs.)	4429.75	3700.00
3. Furnace oil:		
Quantity (K. Lts.)	402	187
Total Amount (Rs. in lacs)	93.53	42.83
Average Rate /Lt.	23.27	22.95

B. CONSUMPTION PER UNIT OF PRODUCTION:

Item	Product	Current Year	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	25	31
	S.A./Oleum/Liquid So3	61	63
	Soya Oil/Doc	45	42
	Soya Oil/Doc/Power	79	86
Coal (KG/MT)			

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

Name of Employees/his Qualification/designation	Age/No. of years Experience	Date of Commencement of Employment	Remuneration (Rs. in Lacs)	Last Employment
Employed through out the year. Shri Shailesh Khaitan B.Com (Hons.)/ Chairman & Managing Director	53/29	01-09-84	72.56 lacs	Managing Director M/s. Majestic Packaging (P) Ltd. Calcutta..

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.



KHAITAN CHEMICALS & FERTILIZERS LIMITED

Annexure - 'B'

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

CAUTIONARY STATEMENT

Some of the statements in the report may be forward looking and are stated as required by applicable laws & regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

BUSINESS OVERVIEW:

The Company is mainly engaged in the manufacturing of Single Super Phosphate (Fertilizer) / Acid and Edible Oil. Both the segments are related to Agriculture and dependent on monsoon.

With a view to provide low cost fertilizer to the farmers of the country, a portion of the manufacturing cost is borne by Government in form of Fertilizers Subsidy as an aid to promote agricultural activities. Due to inadequate allocation in budget, there is always a backlog in the release of fertilizer subsidy which is causing immense problems in getting through the fund requirements for day to day operations in the fertilizer industry. The Government of India has always been in a dilemma to handle this increasing budgetary support to the sector.

India being the second largest economy by population is yet not self sufficient to meet its edible oil requirements. The bitter truth is that prices of edible oil have gone up substantially high across the globe on short supply & diversion of oil seeds to the making of Biofuel. India is therefore compelled to shell out a large portion of its foreign exchange in importing edible oil. The Government of India has shown concern to encourage the production of oil seed crops.

1. INDUSTRY STRUCTURE AND OPPORTUNITIES & THREATS

Fertilizer & Chemicals Division:

India is a predominantly agricultural country wherein conventional agricultural practices are still being pursued by the Indian farmer who is still devoid of using most efficacious quality seeds & fertilizer due to poor economic condition. This calls upon an absolute need to educate the farmer to use the appropriate Fertilizer suiting the mineral contents of the soil. Major portion of the Indian farmland is sulphur deficient, which adversely affects the desired crop yield. To overcome this an ideal N. P. K. S. ratio is must. SSP Fertilizer is therefore counted upon since it contains a proper blend of Phosphate, Sulphur & Calcium.

SSP Fertilizer being a low cost Fertilizer suitably meets the essential nutrient requirements of the soil and hence its popularity among Indian farmers will always move a step further as and when farmers are made aware and educated. Major focus of the Fertilizer industry would be of timely release of Fertilizer subsidy from the Government. Blockage of subsidy funds with Government adversely affects the Working Capital Requirements of the Company leading to restrained operations and reduced profits.

There has been unprecedented fluctuation in the price of raw material and finished goods of the fertilizer / acid division, thereby wanting a high level of inventory management skill.

Due to reduced domestic & international demand large metal smelter have started disposing off huge quantity of sulphuric acid in the market at throw away prices which has impacted the business of producing sulphuric acid from the elemental sulphur.

Unlike Yester-years SSP industry in times to come will be confronting the problem of limited availability of Indigenous Rock Phosphate which will actually compel the SSP Industry to depend on Imported Rock Phosphate leading to higher raw material cost and higher blockage of funds with the Government.

From April, 2008 the Government has made applicable the fertilizer subsidy based on the cost of production which is a welcome step for the industry for sure. The Government has already undertaken its cost study by Tariff Commission so as to keep off the grievances of the industry.

Today Urea and DAP fertilizers are dominant fertilizers being used in India, Government and Ministry of Fertilizers should therefore take steps to promote the use of SSP Fertilizers which besides being a low cost fertilizer is environmental friendly and is consistent with various necessary micro nutrients required for a good crop yield.

Soya Division

Your Company is engaged in the business of Crushing Soybean seed and refining of crude soybean oil and producing value added products of soybean. Ideal location of our plant i.e., at the heart of Soybean cultivation area assure us an added advantage in operations.

Soybean Oil and Soybean Meal have huge demand in the International market and their dominance in the edible oil will continue to persist in future also. Soybean products find their use in both human feed as well as animal feed and are a major source of low cost, high protein vegetarian feed.

Soybean Meal is in great demand from the European and Asian countries as it finds its use as protein source feed for poultry, hogs, beef, dairy and fishery industry.

Soybean finds its way in production of Soy flour, Soy Sauce and high fiber breads, bakery & confectionary items since

KHAITAN CHEMICALS & FERTILIZERS LIMITED



it contains nearly 36-40 percent vegetarian protein source .

India is, prima facie, deficient in oilseed production. This calls upon a further need to increase the cultivation of oilseeds and boosting the crop yield by using modern agriculture techniques, which will in turn lead to release of pressure on country's foreign exchange reserve.

Non GMO soybean products being produced in India make it the most preferred supplier for European & Asian countries. Undoubtedly, business environment for soybean industry is bright in India and will keep on flourishing . However, being an agriculture based industry, the performance of the industry will highly depend upon on good monsoon season .

Being an international commodity, soybean prices are highly influenced by international factors which lead to high fluctuation in the prices of the same. Volatility involved in the business has increased many folds since past two years thereby enhancing the need of perfect vision and planning .

For last six years, NCDEX, NBOT and MCX (the future commodity & derivatives exchanges) have proved to be a major market force in the edible oil sector. Your company also deals in the same to hedge its oil inventory to counter the high volatility in the Oil prices and also take position in the oilseeds to overcome the slow arrival of soyseed in the market.

2. SEGMENT-WISE BUSINESS REVIEW AND OPERATIONAL AND FINANCIAL PERFORMANCE:

The Company has two business segments viz. Fertilizer & Chemicals and Soya. Segment-wise details of the business are given in the foregoing paragraphs:

The summarized performance in terms of production and Sales for last 5 years is as under:

Particular	Unit	2008-09	2007-08	2006-07	2005-06	2004-05
Production:						
SSP	MT	226000	175450	327308	299739	262571
Sulphuric Acid	MT	62423	82678	137056	167971	125061
Oleum/Liquid So3	MT	4659	5511	4945	5938	4722
Seed Crushing	MT	51395	133575	149493	70501	44529
Refined Oil	MT	11895	19637	23478	12778	6464
Sales:						
SSP	MT	220259	222065	307776	294834	262081
Sulphuric Acid	MT	35668	49374	53143	89648	54451
Soya Oil*	MT	12284	25361	24479	13141	8254
De-Oiled Cake	MT	46143	111539	125365	58467	36840

*Including Solvent Extraction Oil.

The summarized financial performance for last 5 years is as under:

(Rs. In Lacs)

Particular	2008-09	2007-08	2006-07	2005-06	2004-05
Sales:					
Fertilizer & Chemicals	22059.26	13295.84	14493.64	13883.26	10708.84
Soya	13568.56	26428.93	23023.51	10579.25	7708.87
PBIDT:					
Fertilizer & Chemicals	4240.29	1784.39	994.56	1603.53	989.67
Soya	87.07	977.39	1801.12	592.71	650.46
EPS (Rs.):	10.61	9.31	9.54	9.23	4.75
DIVIDEND:	18%	18%	18%	18%	15%

The performance of fertilizer division is substantially dependent on Government's rational fertilizer subsidy policy and the availability of Rock Phosphate. Blockage of fertilizer subsidy funds with the Government also adversely affects the operational efficiency of the fertilizer division.

Fertilizer consumption however depends on good rains thereby making operations and profitability of fertilizer division rely on a good monsoon in the country .

The performance of Soya division shall depend upon timely monsoon as well as international price of edible oil and Soymeal besides managing the volatile conditions.

Soya DOC is mainly exported in international markets with a small demand from the domestic front .Hence realization from sale of Soya DOC is largely dependent upon prices prevailing in the international market. Soybean oil produced is sold in



KHAITAN CHEMICALS & FERTILIZERS LIMITED

local markets in bulk quantity and only a minor portion is being sold in packed form.

Due to high level of fluctuations in the prices of finished goods and raw material Company has adopted a conservative approach in its operations so as to ensure making out reasonable profits on its investment.

3. FUTURE OUTLOOK:

Fertilizer & Chemicals Division

Limited availability of Indigenous Rock Phosphate will be a matter of concern for the Industry as reliance on Imported Rock Phosphate will increase. Future outlook for Fertilizer Industry will depend on concrete will of the Government to make India self dependent in Agro products. Additional production of food grain will have to come from increased productivity in the farming sector, resulting in higher demand for fertilizers and other Agri-inputs.

The Company would like to remain leader in the areas of its operation i.e. Madhya Pradesh, Rajasthan and Uttar Pradesh and making sure its presence in other areas i.e. Chhattishgarh and Maharashtra. Besides, in order to become more logistic efficient it has planned to put up SSP Plant at Dahej (Gujarat).

Company's basic strengths which is, prima facie, the barometer of its progress promises a better performance in the forthcoming year.

Soya Division

Oil seed production for the current year 2009-10 is expected to be better due to higher acreage consequent to good realisation in the current season with expected normal rainfall. The higher crushing capacity shall present a good opportunity for crushing of larger tonnage in peak season.

4. RISKS AND CONCERNS

The Company is exposed to risks in fertilizers business due to uncertainty in the availability of Raw Materials, changes in the government policies and blocking of funds in Fertilizer subsidy.

As the Company is Agro based, its performance shall always be dependent on vagaries of monsoon. The delayed and uneven monsoon affects the capacity utilisation and profitability of the industry.

We are continuously repositioning ourselves according to the changing market scenario and strengthening our competitive position.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an adequate system of internal controls which ensures that its assets are protected against loss from unauthorized use or disposition and all transactions are authorized, recorded and reported in conformity with generally accepted accounting principles. The financial and commercial functions have been structured in such a manner so as to provide adequate support and controls for the business of the company.

The Company has a regular process of internal audit by M/s. Krishnan Rakesh & Co., Chartered Accountants whose scope of work and work programme is formalised with the Audit Committee. The findings of Internal Auditors are discussed with the Audit Committee and adequate steps are taken accordingly.

The Board of Directors has an Audit Committee, whose Chairman is an Independent Director. The Committee meets periodically to review internal controls, Audit Programmes and Results, Recommendations of the Auditors and Management's replies to those recommendations.

The Company has also put lot of emphasis in the systemization of the various plant operations and has also been accredited with ISO 9001-2000, ISO 14001 and OHSAS 18001 certification.

6. HUMAN RESOURCE AND INDUSTRIAL RELATIONS:

To speak in both wide and comprehensive terms, Company's highly consistent & well maintained team has a great determination in its development. The fact cannot be discarded outright that this motivated and self contained force of the Company works in unison thereby maintaining extremely cordial and healthy industrial relations.

7. ENVIRONMENTS AND SAFETY:

The Company possesses sound environmental management system for treatment and safe disposal of all process wastes ensuring strict compliance with the environmental legislation for prevention of air and water pollution.

The Company was awarded consecutively for fourth year with "Environmental Protection Award" from 'THE FERTILIZER ASSOCIATION OF INDIA' for its NIMRANI Plant.

8. CONCLUSION

The Company dwells on chalking out the best possible future plans and policies so as to avoid dumping into pitfalls and following the best course in the long run. Water tight labels cannot be attached to a single motive force rather many factors, to mention a few, Company's long term vision, focus on asset utilization and relentless strengthening of its internal efficiencies being the major one substantially contribute to bringing out the best from the gross root level and hence can be tagged as the life blood of Company's economic progress for sure.