



KHAITAN CHEMICALS & FERTILIZERS LIMITED



31st Annual Report 2012-2013

KHAITAN CHEMICALS & FERTILIZERS LIMITED



ANNUAL GENERAL MEETING	BOARD OF DIRECTORS
Date : 6 th day of August, 2013 Day : Tuesday Time : 1.00 P.M. Place : Registered Office	Shailesh Khaitan : Chairman & Managing Director J. L. Jajoo : Whole Time Director Dr. P. Goyal : Director Vijay Gupta : Director B.M. Dakhera : Director
REGISTERED OFFICE	PRESIDENT & SECRETARY
A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone -451569 (M.P.)	R. S. Vijayvargiya
INDORE OFFICE	AUDITORS
301-308, Apollo Arcade, 1/2, Old Palasia, Indore -452018 (M.P.)	M/s. S. S. Kothari Mehta & Co. 146-149, Tribhuvan Complex, Ishwar Nagar, Mathura Road, New Delhi-110065
DELHI OFFICE	KOLKATA OFFICE
201, Skipper House, 62-63, Nehru Place, New Delhi-110019	46-C, Rafi Ahmed Kidwai Road, 3 rd Floor, Kolkata-700 016
WORKS	SOLICITORS:
Fertilizers & Chemical Division: 1) A.B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone -451569 (M.P.) 2) Village Goramachia, Kanpur Road, Jhansi-248001 (U.P.) 3) Village Dhinva, Tehsil Nimbahera Dist. Chittorgarh-312601 (Rajasthan) 4) A-1, UPSIDC Industrial Area, Malwan, Dist. Fatehpur-212664 (U.P.) 5) Village Farhad (Somni), Dist. Rajnandgaon-491443 (Chhattisgarh) 6) 42/7, GIDC Industrial estate, Dahej, Vagra Dist. Bharuch-392 130 (Gujarat) (Under Construction) Processing facility at Arihant Phosphate & Fertilizers Limited 7) Village Sagwadia, Tehsil Nimbaheda, Dist. Chittorgarh-312601, Rajasthan	M/s. Khaitan & Partners Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-110001
	BANKERS
	• State Bank of India • IDBI Bank Ltd. • Corporation Bank • HDFC Bank Ltd. • Axis Bank Ltd.
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	LISTING OF SHARES
Soya Division: Dosigaon Industrial Area Ratlam-457001 (M.P.)	The Bombay Stock Exchange Ltd. (B.S.E.) Stock Code: 507794 ISIN No.: INE745B01028 (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 company. In absence of above transfers will be liable to be rejected.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



NOTICE

NOTICE is hereby given that the **THIRTYFIRST ANNUAL GENERAL MEETING OF KHAITAN CHEMICALS & FERTILIZERS LIMITED** will be held at the registered office of the Company at A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Kargone, Madhya Pradesh on Tuesday, 6th day of August, 2013 at 1.00 P.M. to transact the following business:

ORDINARY BUSINESS:

- To receive, consider and adopt the audited statement of accounts for the year ended 31st March, 2013 and the Reports of the Directors and Auditors thereon.
- To declare dividend for the year ended 31st March, 2013.
- To appoint a director in place of Shri Vijay Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint auditors and to fix their remuneration.

Registered Office:

A. B. Road, Village-Nimrani,
Dist. Kargone (M.P.)
Date: May 14, 2013

By Order of the Board

S/d
(R. S. VIJAYVARGIYA)
President & Secretary

NOTES:

- A member entitled to attend and vote at the meeting 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 be received at the Company's Registered Office at least 48 hours prior to the meeting.
- The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued a circular on April 21, 2011 stating that the service of document by a Company can be made through electronic mode.

Members are requested to register their e-mail address with the Company for sending the notice, annual report, and other documents through e-mail. We are sure you would appreciate the "Green Initiative" taken by MCA and your Company's desire to participate in such initiatives.

- Member(s)/Proxies are requested to bring the attendance slip annexed herewith, duly filled in, for attending the meeting.

- The Register of Members and Share Transfer Books of the Company will remain closed from 1st day of August, 2013 to 6th day of August, 2013, both days inclusive for the purpose of payment of dividend, if declared at the Annual General Meeting.
- Members who hold shares in dematerialized form are requested to quote Depository Account Number (Client ID No.) for recording of attendance at the meeting.
- Members are requested to notify to the Company immediately, quoting Registered Folio No., change in their address, if any, with the pin code number.
- 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.
- 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.
- Shareholders who are still holding physical share certificate are advised to dematerialise their shareholding to avail benefit of dematerialisation.
- The Company has transferred all unpaid/unclaimed equity dividends up to the financial year 2004-05 to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to section 205C of the Companies Act, 1956.
- 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.
- Profiles of directors being re-appointed, as required under Clause 49 of the Listing Agreement, are annexed hereto and form part of the Notice.

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

Name of Director	Shri Vijay Gupta
Age	56 years
Qualification	Businessman
Date of Appointment	18 th May, 2011
Expertise	Businessman
Other Directorships (excluding Pvt. Companies) as on 31 st March, 2013	Nil
Chairman / Member of the Committees as on 31 st March, 2013	Khaitan Chemicals & Fertilizers Ltd.: Member-Shareholder's/Investor's Grievances Committee, Audit Committee and Remuneration Committee.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 31st annual report of the Company and audited statement of accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS

The financial performance of the Company for the year ended 31st March, 2013 is summarised below:

FINANCIAL RESULTS

(Rs. in lacs)

Particulars	2012-13	2011-12
Sales (Gross)	45,971.89	64,858.54
Net Sales	45,875.77	64,787.35
Surplus before interest, depreciation, exceptional items and Tax	3,077.10	6,487.83
Less: Financial Cost	2,555.60	2,609.26
Cash Profit before tax	521.50	3,878.57
Less: Depreciation	732.14	731.62
Exceptional Items	(409.78)	95.06
Profit/(Loss) before taxation	199.14	3,051.89
Provision for current tax	39.84	969.61
MAT Credit & Entitlement	(34.81)	-
Deferred tax	(5.77)	(86.43)
Income Tax of earlier year	(13.15)	(5.49)
Profit/(Loss) after taxation	213.03	2,174.20
Transfer to General Reserve	25.00	1000.00
Proposed Dividend @ 5%	48.49	232.77
Tax on Proposed Dividend	8.24	37.76
Earning Per Share (face value of Re. 1/- each)	0.22	2.24

REVIEW OF OPERATIONS

Fertilizer & Chemicals Division:

The Company welcomes the Government's initiative to directly transfer the subsidy to farmers which shall give the farmers unrestricted choice as well as make them understand the real worth of fertilizers used by them.

The Nutrient Base Subsidy (NBS) with free market mechanism is encouraging more interaction between producers and farmers for efficient use of fertilizer for better agricultural output and is a long term positive for Fertilizer Industry.

The Financial year 2012-13 was beset with challenges. A weak economic environment, persistently high inflation, high interest rates, a weakening currency and prolonged policies & regulatory uncertainty resulted into sluggish demand.

During the year, lower NBS subsidy & significant increase in higher maximum retail prices (MRP) to the farmers also affected the consumption of phosphatic fertilisers, besides the draught in some parts of India. The Company produced 389052 MT (previous year 522358 MT) Single Super Phosphate and sold 402861 MT (previous year 538250 MT). It is ironic that on top of the above situation, the Government of India has delayed the release of huge subsidy since October' 2012 and further has declared NBS Rate for the FY 2013-14, as late as 3rd May, 2013, creating uncertainty in the market.

We are confident that in a rational subsidy scheme, the SSP industry shall grow considerably resulting in higher availability of this 'Generic Customized Fertilizer' for Indian farmers at competitive prices with no extra cost to exchequer. With the growth of the Industry and the Government's commitment to encourage this fertilizer through greater extension services, it shall also reduce the country's dependence on imported phosphatic fertilizer.

The Govt. is yet to take final decision on subsidy mopped up on Finished

Goods/Work in Process on Stocks lying as on 31.03.2011 and is yet to declare its mopping up policy.

The Company expects stabilization in Raw Material prices as well as Government's policy towards NBS (timely declaration & mopping up) which shall benefit the whole Fertilizer Industry, including the SSP Industry.

The Company is in the process of increasing its granulation capacity after getting necessary Government clearances for its various locations.

Soya Division:

In view of increasing speculative behavior in the market, which is not at all aligned with either International market or with forward market, the Company has virtually reduced its activities in this segment to a large extent.

The Company is trying to limit its fixed expenses in view of reduced activities.

DIVIDEND:

The Board of Directors is pleased to recommend final dividend of Re. 0.05 per equity share (face value of Re. 1/- per share) for the year 2012-2013, previous year Re.0.24 per equity share.

PROJECTS & FINANCE:

The project for manufacturing of 2,00,000 TPA of SSP and Phospho Gypsum at Dahej, Gujarat, is going on in full swing and it is expected to commence production in financial year 2013-14.

During the year, the Company has incurred loss (including MTM) of Rs. 860.35 lacs on account of Foreign Exchange Fluctuation (previous year loss Rs. 910.94 lacs) and grouped in 'other expenses'.

FIXED DEPOSITS:

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

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AUDITORS & AUDIT REPORT:

M/s. S. S. Kothari Mehta & Co., Chartered Accountants, New Delhi, Statutory Auditors of the Company retire at 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 as Statutory Auditors of the Company, if made, would be within the limit prescribed u/s 224 (1) of the Companies Act, 1956 and also received peer review certificate issued by the ICAI 'Peer Review Board', as required under Clause 49 of listing agreement.

Regarding Emphasis of Matter under point No. 5 of the Auditors' Report, the Management is of the view that this would not result into a liability and therefore the Company has not provided for mopping of subsidy on raw materials of fertilizer as on 31.03.2011 in terms of Office Memorandum No. 23011/1/2010-MPR dated 11-07-2011 issued by the Ministry of Chemicals & Fertilizers, Govt. of India, being reconsidered vide their letter No. 23011/1/2010-MPR (Pt) dated 22.08.2012, wherein the GOI has decided not to effect recovery till a policy in this regard is formulated. This has strengthened the management's view for not providing the above liability.

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

COST AUDIT:

The Board of Directors, in pursuance of an order under section 233B of the Companies Act, 1956, issued by the Central Government, has appointed M/s. M. P. Turakhia & Associates, Cost Accountants, Indore as Cost Auditors to conduct audit of the cost accounts maintained by the Company in respect of Fertilizer, Sulphuric Acid and Soya products for the financial year 2013-2014.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

Information required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed in Form-A and forms part of the report.

Your Directors are of the opinion that the Company has already opted for latest technology for producing Single Super Phosphate, Sulphuric Acid, and 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 lacs on export of goods (Previous year Rs. NIL) and incurred Rs. 18430.90 lacs (Previous year Rs. 17087.32 lacs) on import of Raw Materials, Capital Goods, Fees & Subscription and Interest on Foreign Currency Loan.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Vijay Gupta, the director of the Company is due to retire at forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment. Directors recommend his reappointment.

Particulars of the directors seeking appointment/re-appointment are provided in the notes forming part of the notice for the ensuing Annual General Meeting, as required under Clause 49 of the listing agreement with the stock exchange.

DIRECTORS' RESPONSIBILITY STATEMENT:

In terms 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. they 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 state of affairs of the Company as at 31st March, 2013 and of the Profit of the Company for that period;
3. they 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. they have prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

In accordance with Clause 49 of the listing agreements with Stock Exchange, the Management Discussion and Analysis Report forms part of this Report (Annexure - B)

CORPORATE GOVERNANCE:

Your Company has always strived to maintain appropriate standards of good corporate governance. The report on corporate governance as stipulated under clause 49 of the listing agreements forms part of this Report. The requisite certificate from the auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the said clause is attached to this report. Annexure - C.

LISTING OF SHARES:

Shares of the Company are listed on the Bombay Stock Exchange (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 up to 31st March, 2013 to the BSE.

PARTICULARS OF EMPLOYEES:

The particulars of employees required to be furnished under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report (Annexure-A.)

ACKNOWLEDGEMENT:

The Board of Directors, would like to record their sincere appreciation for the support and co-operation that your Company received from the State Bank of India, IDBI Bank Limited, Corporation Bank, HDFC Bank Limited and Axis Bank Ltd., various departments/ agencies of Central/State Govt., Members, Customers, Suppliers, Employees and other business associates of the Company.

for and on behalf of the Board

(SHAILESH KHAITAN)

CHAIRMAN & MANAGING DIRECTOR

Place: Dahej

Date: 14.05.2013

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Annexure - 'A'

I - 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	9173543	13959688
Total amount (Rs. in Lacs)	640.49	812.55
Rate/Unit (Rs.)	6.98	5.82
b) Own generation:		
i. Through diesel generator Units	89456	172062
Total amount (Rs. in Lacs)	18.98	26.35
Rate/Unit (Rs.)	21.22	15.32
ii. Through steam turbine Units *	9558367	12911822
Total amount	-	-
(*Net of Self Consumption in TG)		
2. Coal:		
Quantity (In MT)	1130	4285
Total Cost (Rs. in Lacs)	72.78	277.33
Rate/Unit (MT) (Rs.)	6442.99	6471.61
3. Furnace oil:		
Quantity (K. Lts.)	527	1773
Total Amount (Rs. in lacs)	253.04	743.25
Average Rate /Lt.	48.00	41.91

B. Consumption per Unit of Production:

Item	Product	Current Year	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	30	28
	S.A./Oleum/Liquid So3	60	64
	Soya Oil/Doc	78	46
Coal (KG/MT)	Soya Oil/Doc/Power	97	72
	G.S.S.P.	44	-

II - 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 Employed throughout the year:	Age/No. of years Experience	Date of Commencement of Employment	Remuneration (Rs. in Lacs)	Last Employment
Shri Shailesh Khaitan B.Com (Hons.)/ Chairman & Managing Director	57/33	01-09-84	47.76	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.

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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) and Soya Edible Oil. Both the segments are related to agriculture and dependent on monsoon.

Segment-wise Business Review and Operational and Financial Performance:

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

Particular	(Quantity in MT)				
	2012-13	2011-12	2010-11	2009-10	2008-09
Production:					
SSP	389052	522358	433393	332543	226000
Sulphuric Acid	123014	164467	140911	94895	62423
Oleum/Liquid So3	1193	773	2467	4508	4659
Seed Crushing	4362	47829	42541	12135	51395
Refined Oil	3878	11164	7262	5485	11895
Sales:					
SSP	402861	538250	451067	244520	220259
Sulphuric Acid	38555	40488	48730	45941	35668
Soya Oil	4509	11836	6929	5345	12284
De-Oiled Cake	3698	41964	31178	9964	46143

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

Particular	(Rs. In lacs)				
	2012-13	2011-12	2010-11	2009-10	2008-09
Sales:					
Fertilizer	39893.47	48553.09	35024.27	15595.54	21459.32
Soya	5027.46	15631.21	10735.83	4690.44	13630.90
P&IDT:					
Fertilizer	2520.40	5071.90	6871.80	1086.84	4240.29
Soya	(212.59)	650.19	269.61	(210.53)	87.07
EPS(Rs):	0.22	2.24	32.43	0.86	10.61
DIVIDEND:	5%	24%	24%	12%	18%
Face Value (per share)	1	1	10	10	10

FERTILIZER & CHEMICALS DIVISION:

The Company has India's Largest Single Super Phosphate (SSP) Production Capacity of 9,13,500 MT in the states of Madhya Pradesh, Rajasthan, Uttar Pradesh & Chhattisgarh alongwith Sulphuric Acid (SA) production capacity of 2,70,600 MT in the States of Madhya Pradesh, Uttar Pradesh & Chhattisgarh. Sulphuric Acid is also intermediary raw material for production of SSP.

During the year the Company has produced 3,89,052 MT SSP (including 3B,4B3 MT through job work basis), and sold 4,02,861 MT SSP.

The Company is determined to keep its leading position in SSP industry.

Industry Structure and Developments:

Agriculture is the third largest sector of Indian Economy which contributes around 14% of total GDP of the Country. Fertilizer industry, with the emerging scenario, plays vital role in the growth of Agri-Sector. Government's thrust to encourage SSP to substitute imports of DAP and NPK is a indicator of upward trend in the Industry's future. Main features of this industry are-

- Basic need for agriculture and its development.
- Third largest producers & consumer in the world.
- Highly dependent on Imported Raw Material.
- Highly subsidised by Government of India.
- Substantial Import of Finished Products.

The Company is producing SSP which contains Phosphates, Sulphur, Calcium and other micro nutrients and could be said to be a 'Generic Customised Fertilizer'. It is an essential Fertilizer for crops likes Oilseeds, Pulses, Sugarcane, Fruits and Vegetables, Tea etc. and for sulphur deficient soils.

Financial Year 2012-13 was the third year of implementation of the NBS (Nutrient Base Subsidy). Government of India has initiated to move towards the system of paying subsidy directly to beneficiary viz, the farmers. Under this scheme, the first stage would be to ensure visibility of information upto retail level through mobile based Fertilizer Monitoring System (mFMS).

NBS Policy has put the SSP industry at near level with other fertilizers which shall ultimately ensure availability of SSP fertilizer which is more farmer friendly, environment friendly, and an agronomically preferred fertilizer. Increased use of SSP shall also help in conserving foreign currency; to the extent it will substitute import of finished 'P & K' fertilizers.

However, in FY 2013, the SSP industry was faced with a crisis of sorts i.e. financial crunch due to rise in the cost of production, inability to raise the retail price of the fertilizers, abnormal delay in release of subsidy besides the general economic slowdown.

Despite the slowdown in FY 2013, the Industry is optimistic for FY 2014 on account of economic stability, Government's encouragement and improvement in the financial environment.

Future Outlook:

The Country's stress on higher agri-productivity with considerable better realization to farmers is bound to increase the demand of fertilizers. However at the same time this may not immediately reflect in the figures due to optimization in the use of fertilizer by farmers and control on diversion of subsidized fertilizers to neighboring countries as well as other (mis)uses. **The direct transfer of subsidy shall also encourage farmers to rationale use of fertilizers.**

Fertilizer industry including SSP is a capital intensive Industry and requires a huge working capital. Therefore interest rates and delay in disbursement of subsidy are always matters of concern to the Company.

The Single Super Phosphate fertilizer is a generic customized fertilizer containing sulphur, calcium & other micro nutrients besides phosphate. The Nutrient Base Subsidy is a long term positive for Fertilizer Industry particularly SSP Industry with free market mechanism encouraging more interaction between producers and farmers for efficient use of fertilizer for better agriculture output. The Company expects healthy growth in the demand for fertilizers, especially SSP due to the Government's focus on promotion of a more balanced nutrient consumption.

The performance of the Company is expected to be better in coming years considering its basic strengths like high integrated capacity which is already operational, multi-geographical locations and established brands. The well maintained plant and equipments ensure uninterrupted production and distribution of goods.

Opportunity, Threats, Risk & Concerns:

The Company welcomes the Government's initiative to directly transfer the subsidy to farmers which shall give the farmers unrestricted choice as well as make them understand the real worth of fertilizer used by them.

The Nutrient Base Subsidy (NBS) is a long term positive for Fertilizer Industry with free market mechanism encouraging more interaction between producers and farmers for efficient use of fertilizer for better agricultural output. We are confident that in a rational subsidy scheme, the SSP industry shall benefit the most, due to inherent benefit to Indian farmers, and the Country.

The Company is in an advantageous position for tapping its already established production capacity with multi- geographical locations; wide spread marketing network and high brands for its product.

NBS policy may attract new entrants in the market which in fact shall be better for the wider reach of this long neglected product and establishing the SSP industry in its right place, However, Entry of new entrants will also

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lead to intense competition for market share.

SSP fertilisers are based on imported raw-materials which can face severe volatility in prices and foreign currency exchange rates, affecting the profitability of the Company. Agro-Climatic conditions also have large effect on the performance of the Company

The Company hopes for stability in the Raw Material prices as well as Government policies including timely declaration of NBS rates and the Mopping-up policy which shall in turn bring stability to the SSP sector.

Delay in subsidy payments, uncertainty of monsoon and volatile international market of raw material, seasonal consumption of fertilizer (2 months/year) clubbed with logistics availability/ cost and higher requirement of working capital shall remain concerns for the Industry & Company.

SOYA DIVISION:

The Company is having 1400 TPD Soybean crushing capacity along with 100 TPD Edible Oil Refinery located in Soybean growing area i.e., Ratlam, Madhya Pradesh, which is well connected with rail/road network with nearby ports.

The Company is not able to utilize its plant capacity mainly due to already excess capacity in the Industry with continuous new capacities coming up with smaller investments and corresponding higher tax incentives by State Government. Moreover due to long shelf life and an active future commodity market of Soya-Oil and Soybean, Soybean has become a favorite of traders and fund investors, leading to excessive speculation and volatility.

During the year, the Company has crushed 4362 MT (Previous year 47829 MT) Soybean seed.

Industry Structure and Developments:

The most popular and the largest produced oilseed in the world is soybean. It has got the support of wide variety of climates and soils and that is why it is considered to be the most economical crop and has a good worth.

Soya oil is extracted from the basic soybean through complex refining process by crushing soybeans, 17-18% soy oil is recovered and the rest is called soy meal or De-oiled cake.

The contribution of soy oil in world's total oil production has reached around 25%, after growing at 5.8% p.a. during the last 10-12 years, and figures around 31 million tons in absolute terms. Countries like U.S, China, Argentina and India have a strong consumer base. Consumption has also risen in other nations like European Union, Central Europe, Egypt, Morocco, Mexico, and Brazil.

Soybean meal comprises of the remnant after the oil extraction. It has high protein content and is easily digestible and that is why it serves as an animal feed and accounts for about 65% of the world's total animal feed.

Soybean holds a very important position in the Indian agriculture and economy. Madhya Pradesh has the lead among the soybean producing states in India. The major trading centers for soy in India include Indore and Ujjain in Madhya Pradesh, Nagpur in Maharashtra and Kota in Rajasthan.

The total crop size in India is about 10-11 million tonnes out of world crop of 250 million tonnes. Soya Oil is consumed in the country while sadly a protein deficient country like India is exporting its cheapest protein containing soy meal to other countries due to poor promotion of its benefits and by incentivising Exports. However, in due course of time home consumption of Soybean meal is bound to increase.

Soybean and Soy-Oil are actively traded in Indian commodity exchanges namely, National Commodity & Derivatives Exchange Ltd. (NCDEX), Multi Commodity Exchange of India Ltd. (MCX) and National Board of Trade Ltd. (NBOT).

Future Outlook:

In India, the crushing capacity of Soybean is much higher than availability of raw material. In view of increasing speculative behavior in the market which is not at all align with International market or with forward market alongwith very high incentives to new industries. It will be difficult to expect the significant improvement and performance in the current year.

In spite of higher capacity, the efficient processing capacity in good locations like ours shall perform reasonably well with higher soybean

crop due to increase in yield. Eventually on expiry of incentive period accorded to new entrants existing players like us will have a competitive edge in a level playing field.

The Company is trying to reduce its fixed expenses in view of restricted activities.

Opportunity, Threats, Risk & Concerns:

The Company is enjoying ideal location of its Soya processing plant i.e. at the heart of soybean cultivation area, which assures us a value added advantage in operations.

The present yield per hectare is around 1.2 MT against world average of 2.4 MT. The yield is increasing by adopting good practices by farmers and reasonable return on Input.

The Indian consumption of soy meal/DOC is bound to increase and therefore Indian soy meal need not to compete in International market which produces and sells its surplus soybean, with hefty State subsidies to agriculture.

Production of soybean is highly dependent on the vagaries of monsoon. The delayed and uneven monsoon creates shortage of raw material thus affecting the capacity utilisation and profitability of the industry. The large crushing capacity with insufficient raw material alongwith long shelf life and volatility of international market make soybean & soya oil very speculative products in Commodity Exchanges.

In view of increasing speculative behavior in the market, which is not at all aligned with either international market or with forward market, the Company has virtually reduced its activities to a large extent.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The Company conducts its business with integrity and high standards of ethics, and in compliance with the laws and regulations that govern its business. The Company has a well established system of internal controls in operations, supported by suitable monitoring procedures and self-assessment exercises. The financial and commercial functions at various locations are structured and reviewed timely to provide adequate support and controls for the business of the Company.

In addition to external audit, The Company has appointed M/s O.P. Bagla & Co., Chartered Accountants, New Delhi, as an Internal Auditor, who report significant findings to the Audit Committee of the Board. Consequently required steps are taken to improve the operations.

HUMAN RESOURCE AND INDUSTRIAL RELATIONS:

Employees are the back-bone of good organization and to motivate them to achieve greater heights, the Company undertook various HR initiatives towards their development, enhancement and retention. The Company considers its highly motivated and well-maintained team as its most valuable asset.

Amidst all the pressures and demands of the growing business, Industrial Relations continued to be reasonably cordial with our Union(s).

ENVIRONMENT AND SAFETY:

The Company has always considered safety and environment one of its key focus area and has always strived to make continues improvements in these two aspects.

At Company, environment concerns have always taken precedence; Our Factories are certified by OHSAS 18001-2007 through external auditors and have been re-certified for International standards ISO 14001-2004 for Environment Management System and ISO 9001-2008 for Quality Management System.

To address the concerns on Environment Protection, concrete efforts were made towards natural resource conservation by way of water harvesting, Sewage Treatment Plant etc.

The Company was awarded "ENVIRONMENTAL PROTECTION AWARD"- Runner up by "THE FERTILIZER ASSOCIATION OF INDIA" for its Nimbahera plant.

CONCLUSION:

The Company dwells on chalking out the best possible future plans and policies so as to avoid the pitfalls and following the best course in the long run. In both the business segments, a focus on assets utilization, earning maximization, continuous growth and relentless strengthening of the internal efficiencies will enable the Company to deliver superior value for its shareholders on a sustained basis in future.

**Annexure - 'C'****REPORT ON CORPORATE GOVERNANCE****1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE:**

The Company's Philosophy on Corporate Governance envisages the attainment of high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally, including the inter-action with employees, shareholders, creditors, consumer, institutional and other term lenders and place due emphasis on regulatory compliance.

2. BOARD OF DIRECTORS:**COMPOSITION, MEETINGS AND ATTENDANCE:**

The present strength of the Board of Directors is five. Out of the five directors, three directors are Non -Executive and independent and Shri Shailesh Khaitan, an Executive Promoter-Director is the Chairman & Managing Director of the Company & Shri J.L. Jajoo, an Executive-Director is the Whole Time Director of the Company. The composition of the Board of Directors meets the stipulated requirement.

The Board's composition and categories as on March 31, 2013, and the attendance of each director at Board meetings and the last Annual General Meeting (AGM) are as under:

Name of Director	Category	No. of Directorship in other Cos. (excluding Pvt. Cos.)	No. of Board Committee Memberships In other Cos.	No. of Board Committee for which Chairperson	No. of Board meetings Attended	Whether Attended AGM
Shri Shailesh Khaitan	Promoter, Executive	Three	One	NIL	Four	Yes
Shri J.L. Jajoo	Executive	NIL	NIL	NIL	Three	Yes
Dr. P. Goyal	Independent, Non- Executive	NIL	NIL	One	Three	Yes
Shri Vijay Gupta	Independent, Non- Executive	NIL	NIL	NIL	Four	Yes
Shri Balmukund Dakhera	Independent, Non- Executive	NIL	NIL	Two	Four	Yes

During the financial year ended on March 31, 2013, Four Board Meetings were held on May 29, 2012, August 3, 2012, October 30, 2012 and February 8, 2013.

The Company's last Annual General Meeting (AGM) was held on August 3, 2012.

3. BOARD COMMITTEES:**A. AUDIT COMMITTEE**

The present strength of the Audit Committee is three. Shri Balmukund Dakhera is the Chairman of the Audit Committee of the Company. All the members of the Audit Committee are independent and non-executive directors. The terms of reference, and the role of Audit Committee is to overview the accounting system, financial reporting and internal control system of the Company. The powers and role of the Audit Committee are set out in the Clause 49 of the listing agreement and section 292A of the Companies Act, 1956.

(a) Composition, Name of members, Chairperson, Meetings and Attendance during the year:

The Audit committee consisted of the following members as on March 31, 2013:

S. No	Name of Members	Status	No. of Meetings Attended
1.	Shri Balmukund Dakhera	Chairman	4
2.	Dr. P. Goyal	Member	3
3.	Shri Vijay Gupta	Member	4

During the financial year ended March 31, 2013, four meetings of Audit Committee were held on May 29, 2012, August 3, 2012, October 30, 2012 and February 8, 2013.

(b) Quorum: Two independent members.

(c) Secretary to the Committee: Shri R.S. Vijayvargiya, President & Secretary, acts as the Secretary of the Committee.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



B. REMUNERATION COMMITTEE

The present strength of the Remuneration Committee is three. All three are non-executive directors as members, viz., Shri Balmukund Dakhera, Dr. P. Goyal & Shri Vijay Gupta. Shri R.S. Vijayvargiya, President & Secretary of the Company also acts as the Secretary to the Committee. Shri Balmukund Dakhera is the Chairman of the Committee.

The terms of reference of Remuneration Committee include deciding Company's policies on specific remuneration packages for all the directors and designing and implementation of performance appraisal systems and discretionary performance bonus payments for them and such other functions as may be delegated to it by the Board of Directors.

One meeting was held on during the financial year 2012-2013 on 29.05.2012. Shri Balmukund Dakhera, Dr. P. Goyal, Shri Vijay Gupta and Shri R.S. Vijayvargiya, President & Secretary were present in the meeting.

Details of remuneration paid to Executive Director for the financial year 2012-13.

Name	Designation	Salary	Commission/ Sitting Fees	Perks & allowances	Total	Tenure
Shri Shailesh Khaitan	Chairman & Managing Director	25.02	-	22.74	47.76	3 years
Shri J.L. Jajoo	Whole Time Director	12.00	-	-	12.00	3 years

The Non-executive Directors are paid remuneration by way of sitting fees Rs.15000/- & Rs.7500/- for attending each meeting of the Board and the committees respectively. Details of Sitting Fee paid to Non-executive Directors in the Financial year 2012-13 is given below:

S. No.	Name of Directors	Sitting Fees (in Rs.)
1	Dr. P. Goyal	97,500
2	Shri Vijay Gupta	1,27,500
3	Shri Balmukund Dakhera	97,500

C. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

The Board has constituted a Shareholders'/Investors' Grievance Committee consisting of three members, chaired by Dr. P. Goyal, an Independent, Non Executive Director. The Committee meets at regular intervals to approve inter-alia, transfer/transmission of shares, issue of duplicate share certificate, non receipt of declared dividend and to review the status of investors' grievances and redressal mechanism and recommends measures to improve the level of investor services. Details of share transfer/transmissions approved by the Committee are placed at the Board Meetings from time to time.

COMPOSITION

The constitution of the shareholders'/investors' Grievance committee is as under:

S. No	Name	Chairman/ Member	No. of Meeting Attended
1	Dr. P. Goyal	Chairman, Independent, Non-executive	3
2.	Shri Vijay Gupta	Member, Independent, Non-executive	4
3.	Shri R.S. Vijayvargiya	Member, Executive	4

During the financial year ended March 31, 2013, four meetings of shareholders'/investors' Grievance Committee were held on May 29, 2012, August 3, 2012, October 30, 2012 and February 8, 2013.

(a) Quorum: Two independent Members.

(b) Secretary to the Committee: Shri R.S. Vijayvargiya, President & Secretary, also acts as the Secretary of the Committee.

4. NAME AND DESIGNATION OF COMPLIANCE OFFICER:

Shri R.S. Vijayvargiya

President & Secretary

Khaitan Chemicals & Fertilizers Ltd.

Apollo Arcade, 3rd Floor, 1/2, Old Palasia, Indore-452018.

Tel. No. 0731-2564936-37, 4237926 Fax No. 0731-2562572

Email- khaitanchemfert@gmail.com

5. DETAILS OF SHAREHOLDERS COMPLAINTS RECEIVED, NOT SOLVED AND PENDING SHARE TRANSFERS:

194 Nos. of complaints received, and replied to the satisfaction of the SEBI and shareholders etc. during the year ended March 31, 2013. Outstanding complaints as on March 31, 2013 were Nil. The number of pending share transfers was Nil and pending requests for dematerialization was for CDSL & NSDL-NIL as on March 31, 2013. These have been since approved/dematerialised.