

KHAITAN CHEMICALS AND FERTILIZERS LIMITED



34th Annual Report 2015-2016

KHAITAN CHEMICALS & FERTILIZERS LIMITED



ANNUAL GENERAL MEETING:	BOARD OF DIRECTORS:																		
Date : 11 th August, 2016 Day : Thursday Time : 1.00 P.M. Place : Registered Office	Shri Shailesh Khaitan : Chairman & Managing Director Shri Jagdish Lal Jajoo : Whole Time Director Shri Utsav Khaitan : Whole Time Director Dr. Prakash Goyal : Director (resigned w.e.f. 05.08.2015) Shri Vijay Gupta : Director Shri Balmukund Dakhera : Director Ms. Veena Chadha : Director																		
REGISTERED OFFICE:	KEY MANAGERIAL PERSONNEL:																		
A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone - 451569 (M.P.)	Shri Shailesh Khaitan : Chairman & Managing Director Shri R. S. Vijayvargiya : President & CFO (retd.w.e.f. 05.08.2015) Shri H. V. Agnihotri : President & CFO (appointed w.e.f. 05.08.2015) Shri Kamlesh Joshi : Company Secretary & General Manager																		
SECRETARIAL AUDITORS	STATUTORY AUDITORS:																		
M/s. Ritesh Gupta & Co., Company Secretaries, 56-Anil Nagar, MR-9 Road, Indore - 452008	M/s. S. S. Kothari Mehta & Co. Chartered Accountants, 146-149, Tribhuvan Complex, Ishwar Nagar, Mathura Road, New Delhi-110065																		
INTERNAL AUDITORS	KOLKATA OFFICE:																		
M/s. APAS & Co., Chartered Accountants, 8/14, Basement, Kalkaji Extension, New Delhi - 110019	46-C, Rafi Ahmed Kidwai Road, 3 rd Floor, Kolkata-700 016																		
INDORE OFFICE:	SOLICITORS:																		
301-308, Apollo Arcade, 1/2, Old Palasia, Indore - 452018 (M.P.)	M/s. Khaitan & Partners, Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-110001																		
GURGAON OFFICE:	BANKERS:																		
K-9/4, Road 9, DLF City-II, Gurgaon - 122002 (Haryana)	<ul style="list-style-type: none"> ● State Bank of India ● IDBI Bank Ltd. ● Corporation Bank ● HDFC Bank Ltd., ● Axis Bank Ltd. 																		
WORKS :	CONTENTS:																		
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 (Chattisgarh) 6). 42/7, GIDC Industrial Estate, Dahej, Vagra Dist. Bharuch-392130 (Gujarat)	<table border="0"> <tr><td>Notice</td><td>: 01-04</td></tr> <tr><td>Directors' Report</td><td>: 05-08</td></tr> <tr><td>Management Discussion & Analysis Report</td><td>: 09-10</td></tr> <tr><td>Report on Corporate Governance</td><td>: 11-26</td></tr> <tr><td>Auditor's Report</td><td>: 27-29</td></tr> <tr><td>Balance Sheet</td><td>: 30</td></tr> <tr><td>Statement of Profit & Loss</td><td>: 31</td></tr> <tr><td>Cash Flow Statement</td><td>: 32</td></tr> <tr><td>Notes to Financial Statements</td><td>: 33-48</td></tr> </table>	Notice	: 01-04	Directors' Report	: 05-08	Management Discussion & Analysis Report	: 09-10	Report on Corporate Governance	: 11-26	Auditor's Report	: 27-29	Balance Sheet	: 30	Statement of Profit & Loss	: 31	Cash Flow Statement	: 32	Notes to Financial Statements	: 33-48
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Soya Division: 7). Dosigaon Industrial Area, Ratlam - 457001 (M.P.)	Listing of Shares: 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

KHAITAN CHEMICALS & FERTILIZERS LIMITED

CIN: L24219MP1982PLC004937

Regd. Office: A. B. Road, Village Nimrani, Dist. Khargone-451569 (M.P.)

e-mail: khaitanchemfert@gmail.com, Website: www.khaitanchemfert.com

Phone: 0731-4237926, 4753666, Fax: 0731-2562572

NOTICE is hereby given that the **THIRTY FOURTH 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. Khargone, Madhya Pradesh on Thursday, 11th day of August, 2016 at 1:00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31st March, 2016, including the Audited Balance Sheet as on 31st March, 2016, the statement of profit and loss for the year ended on that date, the Cash Flow Statement for the year ended on that date and the Reports of the Board of Directors' and Auditors' thereon.
2. To declare final dividend on the equity shares of the Company for the year ended 31st March, 2016.
3. To appoint a director in place of Shri Jagdish Lal Jajoo (DIN: 02758763), who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"**RESOLVED THAT** pursuant to provisions of Section 139 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. S.S. Kothari Mehta & Co., Chartered Accountants (Firm Registration No. 000756N) be and is hereby appointed as an Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at such remuneration as shall be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS:

5. To approve the remuneration of the Cost Auditors for the financial year ending March 31, 2017.

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any

statutory modification(s) or re-enactment thereof, for the time being in force), the remuneration of Rs. 95000/- plus service tax as applicable and reimbursement of actual travel and out of pocket expenses for the financial year ending March 31, 2017 as approved by the Board of Directors of the Company, to be paid to **M/s. M.P. Turakhia & Associates, Cost Accountants**, for the conduct of the cost audit of the Company's Manufacturing units at Nimrani, Nimbahera, Jhansi, Malwan, Rajnandgaon and Dahej (**for Fertilizers**), units at Nimrani, Jhansi, Malwan and Rajnandgaon (**for Sulphuric Acid**) and Ratlam (**for Soya Products**) be and is hereby ratified and confirmed."

"**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

6. Revision in terms of appointment of Shri Utsav Khaitan, as a Director liable to retire by rotation and also as a Whole Time Director

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Ordinary Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Section 188, 196, 197 and 203 and all other applicable provisions of the Companies Act, 2013 ("the Act") read with Schedule V of the said Act and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and all other rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), subject to the provisions of Articles of Association of the Company and reviewed by Nomination and Remuneration Committee, the consent of the members of the Company be and is hereby accorded to revise the remuneration of Shri Utsav Khaitan (DIN: 03021454), Whole time Director of the Company on such terms and conditions as specified in the statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to this notice convening this Annual General Meeting".

By Order of the Board

S/d

(KAMLESH JOSHI)

Company Secretary &
General Manager

Place : Gurgaon

Date: 27.05.2016

NOTES:

1. 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. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person cannot act as a proxy for any other person or shareholder. A Proxy Form is sent herewith. Proxies submitted on behalf of the Companies, Societies etc., must be supported by an appropriate resolution/authority, as applicable.
2. 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.

3. Member(s)/Proxies are requested to bring the attendance slip annexed herewith, duly filled in, for attending the meeting.
4. Corporate Members intending to send their authorised representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company a certified copy of the relevant Board Resolution together with their respective specimen signatures authorising their representative(s) to attend and vote on their behalf at the Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 04.08.2016 to 11.08.2016, both days inclusive for the purpose of payment of dividend, if declared at the Annual General Meeting.

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6. Members who hold shares in dematerialized form are requested to quote Depository Account Number (Client ID No.) for recording of attendance at the meeting.
7. Members are requested to notify to the Company immediately, quoting Registered Folio No., change in their address, if any, with the pin code number.
8. 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.
9. 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.
10. Shareholders who are still holding physical share certificate are advised to dematerialize their shareholding to avail benefit of dematerialization.
11. The Company has transferred all unpaid/unclaimed equity dividends up to the financial year 2007-08 to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to Section 125 of Companies Act, 2013.
12. Members are advised to claim their unpaid dividend for the year 2008-09 to 2014-15 if any, the Company is having unpaid dividend of Rs. 32.31 lacs for the year 2008-09 to 2014-15. Attention of the members of the Company are drawn towards the provisions of section 124(6) which provides that all the shares in respect of which unpaid or unclaimed dividend has been transferred u/s 124(5) shall also be transferred by the company in the name of IEPF. Therefore in the interest of the members it is advised to take appropriate action to encase the unpaid dividend and update their bank particulars through the respective DPs.
13. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company Secretary at least seven days before the date of the meeting so that the required information can be made available at the meeting.
14. Details required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.
15. The Explanatory Statement pursuant to the provisions of Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.
16. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
17. Electronic copy of the Annual Report for the FY 2015-16 is being sent to all the members whose email ID's are registered with the Company/ Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for the year 2015-16 is being sent in the permitted mode.
18. The register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting of the Company.
19. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 will be available for inspection by the members at the Annual General Meeting of the Company.
20. Electronic copy of the Notice of the 34th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email ID's are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 34th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
21. Members may also note that the Notice of the 34th Annual General Meeting and the Annual Report for the FY 2015-16 will also be available on the Company's website www.khaitanchemfert.com for the purpose of downloading. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: khaitanchemfert@gmail.com.
22. **Voting through electronic means**
 - I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended from time to time, the Company is pleased to provide members facility to exercise their right to vote at the 34th Annual General Meeting (AGM) by electronic means / remote e-voting and the business may be transacted through e-Voting Services provided by **NSDL**.
The instructions for e-voting are as under:
 - A. In case a Member receives an email from **NSDL** [for members whose email IDs are registered with the Company/Depository Participants(s)]:
 - (i) Open email and open PDF file viz; "**KCFL.PDF**" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password.
 - (ii) Launch internet browser by typing the following URL: <http://www.evoting.nsdl.com>.
 - (iii) click on Shareholder—Login
 - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
 - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (vi) Home page of e-voting opens. Click on e-Voting: Active Voting Cycles.
 - (vii) Select EVEN of "Khaitan Chemicals & Fertilizers Ltd." (COMPANY NAME).
 - (viii) Now you are ready for e-voting as Cast Vote page opens.
 - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
 - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to csriteshguptakcf@gmail.com with a copy marked to khaitanchemfert@gmail.com

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- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants(s) or requesting physical copy]:
- Initial password is provided as below/at the bottom of the Attendance Slip for the AGM:
EVEN (E-Voting Event Number) PASSWORD/PIN USERID
 - Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads Section of <http://www.evoting.nsdl.com>
- III. If you are already registered with NSDL for e-voting then you can use your existing user ID and password/PIN for casting your vote.
- IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- V. The e-voting period commences on Saturday, 6th day of August, 2016 (9.00 am) and ends on Wednesday, 10th day of August, 2016 (5.00 pm). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of Thursday, 4th day of August, 2016, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- VI. Members holding shares in physical or in Demat form as on Thursday, 4th day of August, 2016, shall only be eligible for e-voting.
- VII. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- VIII. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 4th August, 2016.
- X. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 4th August, 2016, may obtain the login ID and password by sending a request at ankit_4321@yahoo.com or khaitanchemfert@gmail.com or evoting@nsdl.co.in.
However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.
- XI. CS Ritesh Gupta, Company Secretary whole time in Practice (ICSI Membership No. 5200 CP No. 3764) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- XII. The Scrutinizer shall immediately after the conclusion of voting at the general meeting, first count the votes cast at the meeting, therefore unblock the votes cast through e-voting in the presence of at least two(2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- XIII. The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website at www.khaitanchemfert.com within two (2) days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 5

In pursuance of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the Board shall appoint and individual who is a cost accountant in practice on the recommendation of the Audit Committee, which shall also recommend remuneration for such cost auditor. The remuneration recommended by the Board of Directors and ratified by the shareholders of the Company.

On the recommendation of the Audit Committee at its meeting held on May 27, 2016, the Board has considered and approved appointment of **M/s. M.P. Turakhia & Associates, Cost Accountants** for the conduct of the cost audit of the Company's Manufacturing units at Nimrani, Nimbahera, Jhansi, Malwan, Rajnandgaon and Dahej (**for Fertilizer**), units at Nimrani, Jhansi, Malwan and Rajnandgaon (**for Sulphuric Acid**) and Ratlam (**for Soya Products**) at a remuneration of Rs. 95000/- plus service tax as applicable and reimbursement of actual travel and out of pocket expenses for the financial year ending March 31, 2017.

The Resolution at Item No. 5 of the Notice is set out as an Ordinary Resolution for approval and ratification by the members in terms of Section 148 of the Companies Act, 2013.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

Item No. 6

Shri Utsav Khaitan was appointed as a Whole Time Director in the 32nd Annual General Meeting of the Company w.e.f. 20.05.2014 for a period of five years.

The Board of Directors of the Company at its meeting held on the 14th day of November, 2015 upon the approval of the Nomination and Remuneration Committee of the Board at their meeting held on 14.11.2015, has therefore revised the terms of appointment of Shri Utsav Khaitan, as a Whole Time Director of the Company pursuant to the provisions of Section 188, 196, 197 and 203 and all other applicable provisions of the Companies Act, 2013 and the rules made thereunder read with Schedule V of the Companies Act, 2013

The information in respect of the terms of remuneration and perquisites is mentioned below:-

Remuneration, benefits and perquisites:

- Salary:** Rs. 2,00,000/- (Rupees Two Lacs) per month, with an annual increment of Rs. 20,000/- per month. Salary will be subject to the deduction of Income tax at the applicable rates, under the Income Tax Act, 1961.

ii. Perquisites:

a) Housing:

The Company shall provide accommodation for the Whole Time Director at place other than New Delhi, being his permanent residence.

b) Medical Reimbursement:

Reimbursement of medical expenses actually incurred for self and family, subject to the ceiling of one month's salary in a year with a right to carry forward.

c) Leave and Leave Travel Concession:

Leave Travel Concession for self and family, subject to the ceiling of one month's salary.

Earned privilege leaves on full pay and allowance as per the rules of the Company subject to the condition that leave accumulated but not availed of shall not be allowed to be encashed.

d) Club Fees:

He shall be entitled to the reimbursement of fees of any two clubs in India. This will not include admission and life membership fee.

e) Personal Accident Insurance:

The Company shall pay an annual premium of a sum not exceeding

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Rs. 20000/- towards personal accident insurance policy of Shri Utsav Khaitan.

f) Car & Telephone:

Free use of the Company's car for the Company's business. Personal long distance call on telephone and use of car for private purpose shall be billed by the Company to the Whole Time Director.

g) Limits on Remuneration:

The remuneration as specified in clauses above shall be subject to the overall limits as specified under Sections 196, 197 and other applicable provisions read with Schedule V of the Companies Act, 2013.

iii) Minimum Remuneration:

In the event of the Company incurring a loss or having inadequate profits in any financial year, the remuneration, perquisites, benefits, allowances and amenities payable to Shri Utsav Khaitan shall be in accordance with Section II of Part II of Schedule V of the Companies Act, 2013, as amended from time to time.

iv) Sitting Fees:

He shall not be paid sitting fees for attending the meetings of the

Board of Directors of the Company and committees thereof.

He is liable to retire by rotation during his tenure as Whole Time Director.

Shri Utsav Khaitan is son of Shri Shailesh Khaitan, Chairman and Managing Director of the Company. Hence, he is covered under the provisions of Section 188 of the Companies Act, 2013 and rules made thereunder.

There shall be relations with Shri Utsav Khaitan and the Company as an employer and employee for all the purposes.

Except Shri Utsav Khaitan, being an appointee and Shri Shailesh Khaitan, Chairman and Managing Director, being his relative none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 6.

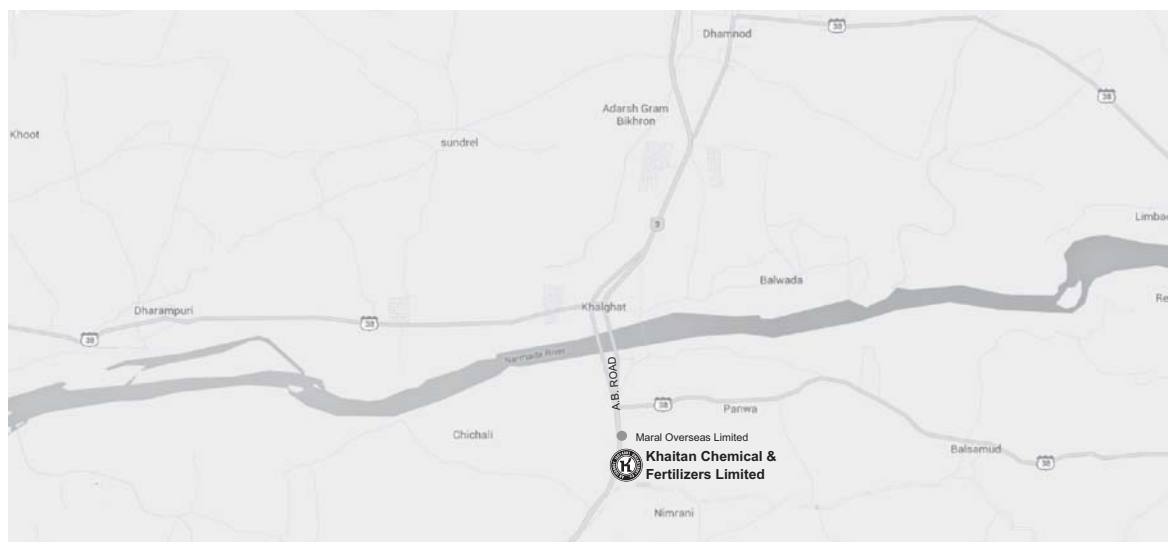
Shri Utsav Khaitan is holding 13439 Equity shares consisting 0.01% of the paid up capital of the Company.

The resolution for seeks approval of members as an **Ordinary Resolution** for revision in the terms of remuneration of Shri Utsav Khaitan as a Whole Time Director of the Company.

Details of Directors seeking appointment/re-appointment at the Annual General Meeting (In pursuance of Regulation 36 (3) of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015:

Name of Director	Shri Jagdish Lal Jajoo	Shri Utsav Khaitan
Age	72 years	25 year
Qualification	Chartered Accountant	BSc (Economics)
Date of Appointment	15 th November, 2014	20 th May, 2014
Expertise	Rich and vast experience in the field of Management and finance.	Marketing
Other Directorships (excluding Pvt. Companies) as on 31 st March, 2016	Nil	Nil
Chairman / Member of the Committees as on 31 st March, 2016	Khaitan Chemicals & Fertilizers Ltd.: Chairman -Corporate Social Responsibility Committee.	Khaitan Chemicals & Fertilizers Ltd. : Member - Corporate Social Responsibility Committee.

Route Map for the Venue of 34th Annual General Meeting



KHAITAN CHEMICALS & FERTILIZERS LIMITED



DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 34th annual report of the Company and audited statement of accounts for the year ended 31st March, 2016.

FINANCIAL RESULTS

The financial performance of the Company for the year ended 31st March, 2016 is summarised below:

(Rs. in Lacs)

Particulars	2015-16	2014-15
Sales (Gross)	39777.24	33388.06
Net Sales	39404.56	33203.41
Surplus before interest, depreciation, exceptional items and tax	4165.11	3728.09
Less: Financial Cost	2966.23	3006.60
Cash Profit before tax	1198.88	721.49
Less: Depreciation	863.61	889.11
Exceptional Items	-	-
Profit/(Loss) before taxation	335.27	(167.62)
Provision for current tax	75.94	-
Deferred tax	93.66	(521.51)
Income Tax of earlier year	-	3.47
Profit/(Loss) after taxation	165.67	350.42
Transfer to General Reserve	-	-
Proposed Dividend @ 5%	48.49	48.49
Tax on Proposed Dividend	9.87	9.87
Earning Per Share (face value of Re. 1/- each)	0.17	0.36

REVIEW OF OPERATIONS

FERTILIZER & CHEMICALS DIVISION

The year 2015-16 continued to be a challenging period with weak economic environment. The country faced a consecutive draught for the second year in 2015-16, which is a rare phenomenon. As result, the agriculture related businesses; especially fertilizers trade was very poor. On top of that the depreciating Indian currency compounded the situation since the Company's major raw material is imported.

Despite the adverse conditions during the year, the turnover of your Company has increased from Rs. 33203.41 lacs for the year 2014-15 to Rs. 39404.56 lacs for the year 2015-16. The operating income has increased from Rs 3728.09 lacs in 2014-15 to Rs 4165.11 lacs in 2015-16, and the cash profit has increased from Rs 721.49 lacs to Rs 1198.88 in the respective periods, while the net profit after tax has reduced from Rs. 350.42 lacs to Rs. 165.67 lacs. The reduction in net profit after tax is mainly due to the provision of deferred tax Rs 93.66 lacs in 2015-16 against Rs. (521.51) lacs in 2014-15.

The Company has produced 337329 MT (previous year 347238 MT) Single Super Phosphate and sold 404646 MT (previous year 322071 MT).

The Company is continuing its efforts for optimizing its current assets on the one hand and diversifying into new geographical markets on the other. More focus is being laid on producing value added fortified fertilizers, to improve the product portfolio. Further, with the long range forecast of normal monsoons in the current year 2016-17, we expect to perform better in this year.

The Government has also removed the statutory requirement of minimum production effective for the financial year 2016-17 onwards. This would further benefit the SSP Industry, as an unnecessary burden to produce material compulsorily has been done away with. Now, the Industry can produce only the desired quantity as per the requirement of the markets.

The Government has reduced the Nutrient Based Subsidy rates from Rs. 3173 per MT to Rs. 2343 per MT w.e.f. 01.04.2016 and this revision in subsidy would impact the realizations in the short term, however we expect the impact would be neutralized over a period with gradual increase in prices of the products.

Raw material prices now seem to have stabilized. Further with the expected long term policy of the Government of India for direct subsidy to farmers it shall help the growth of SSP Industry in a free but competitive environment.

SOYA/AGRI DIVISION

The Soya Industry is passing through a tough phase with widespread activities of speculation by Industry players.

The Company has reduced its activities in this segment to a large extent along with total control on fixed expenses.

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 financial year 2015-2016, previous year Re.0.05 per equity share.

INVESTORS EDUCATION & PROTECTION FUND

Dividend which was declared by the Company for the year ended March 31, 2009 at the Annual General Meeting held on July 31, 2009 and remained unclaimed will be transferred to the Investor Education and Protection Fund of the Central Government on August 28, 2016 pursuant to the provisions of Companies Act, 2013. Thereafter no claim shall lie on dividend for the year ended March, 2009 from the shareholders.

PROJECTS & FINANCE

The Company has availed corporate loan from State Bank of India of Rs. 30 Crores, to supplement the long term working capital requirements in current year.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year under review, pursuant to the provisions of Section 73 of the Companies Act, 2013 & the Deposit Rules made thereunder.

MATERIAL CHANGES EFFECTING FINANCIAL POSITIONS OF THE COMPANY

No material changes have occurred and commitments made, affecting the financial position of the company, between the end of the financial year of the company and the date of this report. There is no order passed by any regulator or court or tribunal against the company, impacting the going concern concept or future operations of the company.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Information required under section 134(3)(m) of the Companies Act, 2013 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed in Form-A of Annexure '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 of Annexure 'A' is not applicable.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In accordance with Schedule V (B) of the SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015, the Management Discussion and Analysis Report forms part of this Report (Annexure - B)

FOREIGN EXCHANGE EARNING AND OUTGO

The Company has earned Rs. NIL lacs on export of goods (Previous year Rs. NIL) and incurred Rs. 6937.79 lacs (Previous year Rs. 9047.66 lacs) on import of Raw Materials, Capital Goods, Fees & Subscription and Interest on Foreign Currency Loan.

DIRECTORS

In accordance with the provisions of Section 152(6)(c) of the Companies Act, 2013 and the Articles of Association of the Company, Shri Jagdish Lal Jajoo (DIN 02758763), Whole Time Director of the

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Company is due to retire at forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment. Directors recommend his reappointment.

During the year under review, Dr. Prakash Goyal (DIN 00754744), Independent Director of your Company, resigned from the Board w.e.f. 05.08.2015, due to his ill health. The Board places on record its sincere appreciation for valuable services rendered and contribution made by him.

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 Regulation 36(3) of the SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015.

The Company has received disclosures from all the directors and none of the directors has been disqualified as stipulated under Section 164 of the Companies Act, 2013 and rules made thereunder.

During the year, the Board of Directors met 5 (Five) times. The details of the Board Meetings and the attendance of the Directors are provided in the Corporate Governance Report (**Annexure - C**).

KEY MANAGERIAL PERSONNEL

The following employees were designated as whole-time key managerial personnel by the Board of Directors during the year under review:

- Shri Shailesh Khaitan, Chairman & Managing Director;
- Shri R. S. Vijayvargiya, President & Chief Financial Officer; (Retired w.e.f. 05.08.2015)
- Shri H. V. Agnihotri, President & Chief Financial Officer; (Appointed w.e.f. 05.08.2015) and
- Shri Kamlesh Joshi, Company Secretary & General Manager.

INDEPENDENT DIRECTORS DECLARATION

The Independent Directors have confirmed and declared that they are not disqualified to act as an Independent Director in compliance with the provisions of Section 149 of the Companies Act, 2013 and the Board is also of the opinion that the Independent Directors fulfill all the conditions specified in the Companies Act, 2013 making them eligible to act as Independent Directors.

CORPORATE GOVERNANCE

Your Company has always strived to maintain appropriate standards of good corporate governance. The report on corporate governance as stipulated under Schedule V (C) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 forms part of this Report. The requisite certificate confirming compliance with the conditions of corporate governance as stipulated under the said clause is attached to this report. (**Annexure - C**).

DETAILS OF SUBSIDIARY/ JOINT VENTURES/ ASSOCIATE COMPANIES

The Company has no Subsidiary/Joint Ventures/Associate Companies.

PARTICULARS OF LOAN, GUARANTEES, INVESTMENTS

During the year under review, the Company has not made any investments or given loan or provided security or guarantees falling under the provisions of Section 186 of the "the Act".

VIGIL MECHANISM / WHISTLE BLOWER POLICY

As per the requirement of Section 177 (9) of the Companies Act, 2013, and Regulation 22 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the Company has established a Vigil Mechanism called the 'Whistle Blower Policy' for Directors and Employees to report concern of unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy and the details of the Whistle Blower Policy has been uploaded on the Company's website, Web-link: <http://khaitanchemfert.com/wp-content/uploads/2016/04/KCFL-Vigil-Mechanism-Policy>

NOMINATION & REMUNERATION POLICY

Pursuant to Section 178 of the Companies Act, 2013, the rules made thereunder and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Board has re-constituted the Nomination & Remuneration Committee, comprising of Shri Balmukund Dakhera, Chairman, Shri Vijay Gupta and Ms. Veena Chadha as its members.

The Nomination & Remuneration Committee framed a policy for selection and appointment, re-appointment, removal, appraisals of Directors and Senior Management and the same is stated in the Corporate Governance Report (**Annexure - C**).

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 appointment as Statutory Auditors of the Company, if made, would be within the limit prescribed u/s 139 & 141 of the Companies Act, 2013 & also received a peer review certificate issued by the ICAI 'Peer Review Board', as required under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

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

INTERNAL AUDITOR

APAS & Company, Chartered Accountants, is appointed to conduct the internal audit of the Company for the Financial Year 2016-17, as required under Section 138 of the Companies Act 2013 and the Companies (Accounts) Rules, 2014.

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined. To maintain its objectivity and independence, the Internal Auditor reports to the Chairman of the Audit Committee of the Board. Based on the report of internal audit function, Company undertakes corrective action in their respective areas and thereby strengthen the controls. Recommendations along with corrective actions thereon are presented to the Audit Committee of the Board and accordingly implementation has been carried out by the Company.

COST AUDIT

The Board of Directors, in pursuance of an order under section 148 of the Companies Act, 2013, read with Rule 14 of the Companies (Audit & Auditors) Rules, 2014, 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 2016-17.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s Ritesh Gupta & Co., Company Secretaries, Indore, to undertake the Secretarial Audit of the Company for the financial year 2016-17.

The Secretarial Audit Report is self-explanatory and therefore do not call for any explanatory note and the same is annexed herewith as (**Annexure - D**).

SECRETARIAL STANDARDS

The Company has complied with the Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI).

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Pursuant to Section 135 of Companies Act, 2013 and the relevant rules, the Board has re-constituted the Corporate Social Responsibility Committee comprising of Shri Jagdish Lal Jajoo as the Chairman and Shri Utsav Khaitan, Shri Balmukund Dakhera, Shri Vijay Gupta & Ms. Veena Chadha as its members. The detailed CSR Policy has been uploaded on Company's Website, **Web-link:**

<http://khaitanchemfert.com/wp-content/uploads/2016/04/KCFL-CSR-Policy>
The Company is not required to spend any amount towards CSR Expenditure as none of the thresholds as specified in Section 135 (1) of the Companies Act, 2013 is crossed. (**Annexure - E**)

ANNUAL EVALUATION OF BOARD

Pursuant to the provisions of section 134 (3) (p) of the Companies Act, 2013 and applicable Regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the Board adopted a formal mechanism for evaluating its performance and as well as that of

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its Committees and Individual Directors, including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & committees, experience & competencies, performance of specific duties & obligations, governance issues etc.

The evaluation of the Independent Directors was carried out by the entire Board and that of the Chairman and the Non-Independent Directors were carried out by the Independent Directors.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return for the year ended on 31.03.2016 in Form MGT-9 is annexed (**Annexure – F**).

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134(5) of the Companies Act, 2013, 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, 2016 and of the profit & loss 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, 1956/2013 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.
5. they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and were operating effectively.
6. they have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTY

As per the requirement of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated the Policy on Materiality of Related Party Transactions and has also amended the existing Related Party Transactions Policy to Policy on Dealing With Related Party Transactions. All such transactions that were entered into during the financial year were on an arm's length basis and in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee and the same has been approved by the Board. Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseen and repetitive nature and the same is been reviewed by the Audit Committee on quarterly basis. The company has framed Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions and is placed on the Company's website and the web link for the same is <http://khaitanchemfert.com/wp-content/uploads/2016/04/Policy-on-materiality-of-RPT-KCFL.pdf>. The Company has also formed Related Party Transactions Policy and the weblink for same is <http://khaitanchemfert.com/wp-content/uploads/2016/04/Related-Party-Transactions-Policy.pdf>.

Pursuant to the provisions of Section 134 (3) (h) of the Companies Act, 2013, the particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013, and prescribed in Form AOC - 2 of Companies (Accounts) Rules, 2014, are appended as **Annexure-G** to this report. Related Party Transactions

during the year have been disclosed as a part of Financial Statements as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India.

LISTING OF SHARES

Shares of the Company are listed on The Bombay Stock Exchange Limited (BSE), Mumbai, which provides a wider access to the investors nationwide. The Company has made all the compliances of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including payment of annual listing fees up to 31st March, 2017 to the BSE.

DEMATERIALISATION OF SHARES

The shares of your Company are being traded in electronic form and the Company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, Members are requested to avail the facility of dematerialization of shares with either of the Depositories as aforesaid. As on March 31st, 2016, 96.81% of the share capital stands dematerialized.

RISK MANAGEMENT

The Company has amended Existing Risk Management Policy as per requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and Section 134(3)(n) of the Companies Act, 2013, which requires the Company to lay down procedure for risk assessment and risk minimization. The Board of Directors, Audit committee and the Senior Management of the Company should periodically review the policy and monitor its implementation to ensure the optimization of business performance, to promote confidence amongst stakeholders in the business processes, plan and meet strategic objectives and evaluate, tackle and resolve various risks associated with the Company. The business of the Company is exposed to various risks, arising out of internal and external factors i.e. Industry, Competition, Input, Geography, Financial, Regulatory, Other Operational, Information Technology related other risks.

Implementation of the Scheme:

The functional managers at all locations will be responsible for identifying and assessing the risks within their areas of responsibilities and actions agreed beforehand to resolve such risks. They will report for any new risk or changes in the existing risk to the President/Managing Director. The Board and the senior executives of the Company will oversee the implementation of the policy and review the same periodically; the Board will be updated on key risks faced by the Company and the mitigating actions taken to resolve them.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013.

"The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The following is a summary of sexual harassment complaints received and disposed off during the year 2015-16.

No of complaints received: · NIL

No of complaints disposed off: Not Applicable".

PARTICULARS OF EMPLOYEES

In terms of provisions of Section 197 (12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and the rules there under as amended from time to time, forms part of this report (**Annexure-A**).

Ratio of remuneration of each director to the median remuneration of the employees of the Company for the Financial Year:

The information required pursuant to Section 197 read with Rule 5 (1) (i) of the Companies (Appointment and Remuneration) Rules, 2014 in respect of ratio of remuneration of each director to the median remuneration of the employees of the Company for the Financial Year, is as follows:

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Shri Shailesh Khaitan : 30.72 times to median remuneration.
Shri Utsav Khaitan : 8.78 times to median remuneration.
Shri Jagdish Lal Jajoo : 6.46 times to median remuneration.

Your Board recognizes and appreciates the contributions made by all employees at all level that ensure sustained performance in a challenging environment.

ACKNOWLEDGEMENT

The Board of Directors, wish to place on record its sincere appreciation for the support and co-operation received from all its stakeholders including customers, promoters, shareholders, bankers, suppliers, auditors, various departments/ agencies of Central/State Government and other business associates of the Company.

for and on behalf of the Board

Place: Gurgaon
Date: 27.05.2016

(SHAILESH KHAITAN)
CHAIRMAN & MANAGING DIRECTOR
DIN: 00041247

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	11278655	11750546
Total amount (Rs. in Lacs)	922.29	897.34
Rate/Unit (Rs.)	8.18	7.64
b) Own generation:		
i. Through diesel generator Units (KWH)	18967	37633
Total amount (Rs. in Lacs)	4.60	13.31
Rate/Unit (Rs.)	24.24	35.36
ii. Through steam turbine Units * (KWH)	4608791	3539470
Total amount	-	-
(*Net of Self Consumption in TG)		
2. Coal:		
Quantity (In MT)	3183	1452
Total Cost (Rs. in Lacs)	217.78	106.07
Rate/Unit (MT) (Rs.)	6842.30	7303.02
3. Furnace oil:		
Quantity (K. Lts.)	152	10
Total Amount (Rs. in lacs)	51.61	5.45
Average Rate /Lt.	33.99	54.36

B. Consumption per Unit of Production:

Item	Product	Current Year	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	29.88	32.65
	S.A./Oleum/Liquid So3	64.23	62.92
	Labsa	N.A.	49.61
	Soya Oil/Doc	N.A.	N.A.
Coal (KG/MT)	Soya Oil/Doc/Power	N.A.	N.A.
	G.S.S.P.	35.36	34.21

II - Section 134 and 197 of the Companies Act, 2013, read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and the rules made there under as amended from time to time, and 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 throughout the year: Shri Shailesh Khaitan B.Com (Hons.)/ Chairman & Managing Director	60/36	01-09-1984	57.06	Managing Director, M/s. Majestic Packaging (P) Ltd. Kolkata
Shri Utsav Khaitan B.Sc. (Economics)/ Whole Time Director	25/3	06-08-2013	16.31	NIL

1. Remuneration includes salary, commission, leave travel assistance and expenditure incurred by the Company on other perquisites valued in accordance with the Income Tax Rules, 1962.
2. Shri Utsav Khaitan (Whole Time Director) is the son of Shri Shailesh Khaitan (Chairman & Managing Director).
3. Shri Shailesh Khaitan is holding 3571910 (3.68%) equity shares and Shri Utsav Khaitan is having 13439 (0.01%) equity shares of your Company.