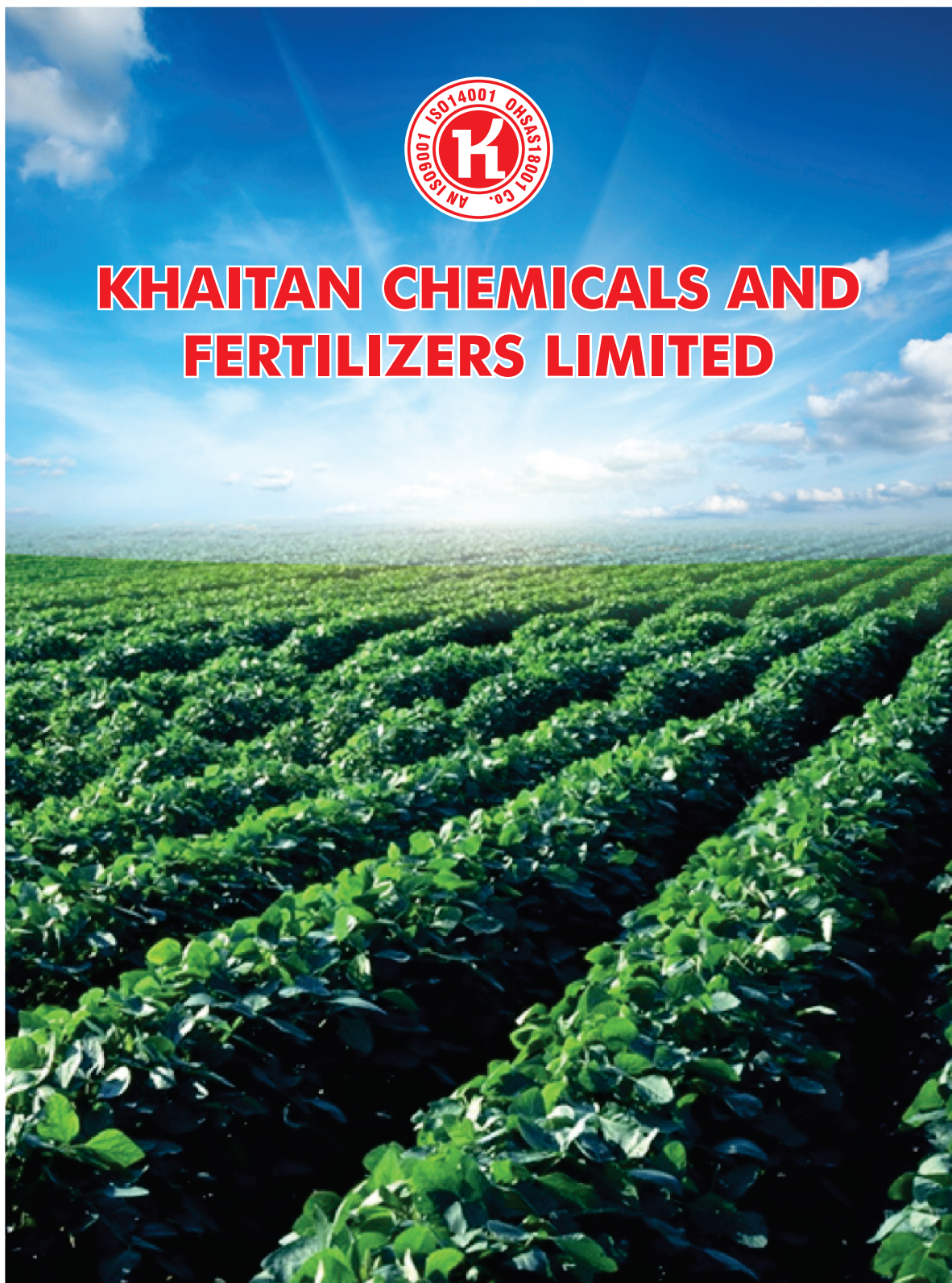




# **KHAITAN CHEMICALS AND FERTILIZERS LIMITED**



**35<sup>th</sup> Annual Report 2016-2017**

ANNUAL GENERAL MEETING:		BOARD OF DIRECTORS:	
Day : Tuesday	Time : 3:00 P.M.	Shri Shailesh Khaitan	: Chairman & Managing Director
Date : 22 <sup>nd</sup> August, 2017	Place : Registered Office	Shri Utsav Khaitan	: Whole Time Director
REGISTERED OFFICE:		Shri Jagdish Lal Jajoo	: Whole Time Director
A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone - 451 569 (M.P.)		Shri Vijay Gupta	: Independent Director
SECRETARIAL AUDITORS:		Shri Balmukund Dakhera	: Independent Director
M/s. Ritesh Gupta & Co., Company Secretaries, 56-Anil Nagar, MR-9 Road, Indore-452 008		Ms. Veena Chadha	: Independent Director
INTERNAL AUDITORS:		KEY MANAGERIAL PERSONNEL:	
M/s. APAS & Co., Chartered Accountants, 8/14, Basement, Kalkaji Extension, New Delhi-110 019		Shri Shailesh Khaitan	: Chairman & Managing Director
COST AUDITORS:		Shri Harsh Vardhan Agnihotri	: President & CFO
M/s. M P Turakhia & Associates, Cost Accountants, 404, Shalimar Corporate Centre, 8-B, South Tukoganj, Indore-452 001 (M.P.)		Shri Kamlesh Joshi	: Company Secretary & General Manager
INDORE OFFICE:		STATUTORY AUDITORS:	
301-308, Apollo Arcade, 1/2, Old Palasia, Indore - 452 018 (M.P.)		M/s. S.S. Kothari Mehta & Co., Chartered Accountants, 146-149, Tribhuvan Complex, Ishwar Nagar, Mathura Road, New Delhi-110 065	
GURUGRAM OFFICE:		Proposed Statutory Auditors	
207, Sewa Corporate Park, M.G. Road, Sector-28, Gurugram - 122 002 (Haryana)		M/s. NSBP & Co., Chartered Accountants, 137, Tribhuvan Complex, Ishwar Nagar, Mathura Road, New Delhi-110 065	
WORKS:		KOLKATA OFFICE:	
Fertilizers & Chemicals Division:		46-C, Rafi Ahmed Kidwai Road,3 <sup>rd</sup> Floor, Kolkata-700 016	
1). A.B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone - 451 569 (M.P.)		SOLICITORS:	
2). Village Goramachia, Kanpur Road, Jhansi-248001 (U.P.)		M/s. Khaitan & Partners, Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-110 001	
3). Village Dhinva, Tehsil Nimbahera Dist. Chittorgarh - 312 601 (Rajasthan)		BANKERS:	
4). A-1, UPSIDC Industrial Area, Malwan, Dist. Fatehpur - 212 664 (U.P.)		● State Bank of India ● IDBI Bank Ltd.	
5). Village Farhad (Somni), Dist. Rajnandgaon - 491 443 (Chattisgarh)		● Corporation Bank ● HDFC Bank Ltd.	
6). 42/7, GIDC Industrial Estate, Dahej, Vagra Dist. Bharuch-392 130 (Gujarat)		● Axis Bank Ltd.	
Soya/Agri Division:		CONTENTS:	
7). Dosigaon Industrial Area, Ratlam - 457 001 (M.P.)		Notice of Annual General Meeting : 01-03	
		Directors' Report : 04-07	
		Management Discussion and Analysis Report : 08-10	
		Report on Corporate Governance : 10-16	
		Annexure's of Directors' Report : 17-23	
		Auditor's Report : 24-26	
		Balance Sheet : 27	
		Statement of Profit & Loss : 28	
		Cash Flow Statement : 29	
		Notes to Financial Statements : 30-44	
		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 AND FERTILIZERS LIMITED



## KHAITAN CHEMICALS AND FERTILIZERS LIMITED

CIN: L24219MP1982PLC004937

Regd. Office: A. B. Road, Village Nimrani, Dist. Khargone-451 569 (M.P.)

e-mail: [khaitanchemfert@gmail.com](mailto:khaitanchemfert@gmail.com), Website: [www.khaitanchemfert.com](http://www.khaitanchemfert.com)

Phone: 0731-4237926, 4753666, Fax: 0731-4753655

### NOTICE OF 35<sup>TH</sup> ANNUAL GENERAL MEETING

NOTICE is hereby given that the **THIRTY FIFTH ANNUAL GENERAL MEETING OF 'KHAITAN CHEMICALS AND 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 Tuesday, 22<sup>nd</sup> Day of August, 2017 at 3:00 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 31<sup>st</sup> March, 2017, including the Audited Balance Sheet as on 31<sup>st</sup> March, 2017, 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 31<sup>st</sup> March, 2017.
3. To appoint a director in place of Shri Utsav Khaitan (DIN:03021454), 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 the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and Rules framed thereunder (including any statutory modification(s) or re-enactments thereof for the time being in force) M/s. NSBP & Co., Chartered Accountants, New Delhi, registered with the Institute of Chartered Accountants of India (ICAI) vide Firm Registration No. 001075N, be and are hereby appointed as Statutory Auditors of the Company (in place of M/s. S.S. Kothari Mehta & Co., Chartered Accountants, New Delhi, the retiring Auditors) for a term of five years commencing from the Company's financial year ending March 31, 2018 to hold office from the conclusion of the 35<sup>th</sup> Annual General Meeting of the Company till the conclusion of the 40<sup>th</sup> Annual General Meeting (subject to ratification of their appointment by the Members at every intervening Annual General Meeting held after this Annual General Meeting) on such remuneration plus service tax, out-of-pocket

expenses, as may be mutually agreed upon by the Board of Directors and the Statutory Auditors."

"RESOLVED FURTHER THAT the Board of Directors of the Company (including its Committee thereof) and/or CS Kamlesh Joshi, Company Secretary & General Manager, be and are hereby severally authorised to do all such acts and take all such steps as may be considered necessary, proper or expedient to give effect to this Resolution."

#### SPECIAL BUSINESS:

5. **To approve the remuneration of the Cost Auditors for the financial year ending March 31, 2018.**

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, 2018 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."

By Order of the Board

S/d

(KAMLESH JOSHI)

Company Secretary & General Manager

Place : Gurugram

Date : May 29, 2017

#### NOTES:

1. 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.
2. **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 (10) 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.
3. 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. Electronic copy of the Annual Report for the FY 2016-17 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 2016-17 is being sent in the permitted mode.
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. Member(s), Proxies and Authorised Representatives are requested to bring the attendance slip annexed herewith, duly filled in, for attending the meeting.
6. The Register of Members, Beneficial Owner and Share Transfer Books of the Company will remain closed from Thursday, August 17, 2017 to Tuesday, August 22, 2017, both days inclusive for the purpose of payment of dividend, if declared at the Annual General Meeting.
7. The dividend on Equity Shares, if declared at the AGM, will be payable on or after Thursday, August 24, 2017 to those members whose names appear as Members in the Register of Members of the Company on Thursday, 17<sup>th</sup> day of August, 2017 in respect of the shares held in electronic form, the dividend will be paid on the basis of Beneficial Ownership as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.
8. Members who hold shares in dematerialized form are requested to quote Depository Account Number (Client ID No.) for recording of attendance at the meeting.



# KHAITAN CHEMICALS AND FERTILIZERS LIMITED



9. Members are requested to notify to the Company immediately, quoting Registered Folio No., change in their address, if any, with the pin code number.
10. 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.
11. 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.
12. Shareholders who are still holding physical share certificate are advised to dematerialize their shareholding to avail benefit of dematerialization.
13. The Company has transferred all unpaid/unclaimed equity dividends up to the financial year 2008-09 to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 125 of Companies Act, 2013.
14. Members are advised to claim their unpaid dividend for the year 2009-10 to 2015-16 if any, the Company is having unpaid dividend of Rs. 28.18 lacs for the year 2009-10 to 2015-16. 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 encash the unpaid dividend and update their bank particulars through the respective DPs.  
Pursuant to the provisions of Section 124(5) of the Companies Act, 2013, if the dividend transferred to the Unpaid Dividend Account of the Company remains unpaid or unclaimed for a period of seven years from the date of such transfer then such unclaimed or unpaid dividend shall be transferred by the company to the Investor Education and Protection Fund ("the IEPF"), a fund established under sub-section (1) of section 125. The Company has sent intimation to all such shareholders who have not claimed their dividend for seven consecutive years. The details of unclaimed/unpaid dividend are also available on the website of the Company viz. [www.khaitanchemfert.com](http://www.khaitanchemfert.com)
15. 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.
16. Details required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting is annexed herewith to Notice as **Annexure-I**. The Directors have furnished the requisite declarations for their appointment/re-appointment.
17. 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.
18. The Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013, and 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.
19. Electronic copy of the Notice of the 35<sup>th</sup> 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 35<sup>th</sup> 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.
20. Members may also note that the Notice of the 35<sup>th</sup> Annual General Meeting and the Annual Report for the FY 2016-17 will also be available on the Company's website [www.khaitanchemfert.com](http://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](mailto:khaitanchemfert@gmail.com).

21. A route map showing directions to reach the venue of the 35<sup>th</sup> AGM is given at the end of this Notice as per the requirement of the Secretarial Standards-2 on "General Meetings".
22. Relevant documents referred to in the accompanying Notice and in the Explanatory Statement are open for inspection by the Members at the Company's Registered Office and at Company's office at 301-308 Apollo Arcade, 3<sup>rd</sup> Floor, 1/2 Old Palasia Indore- 452 018 (M.P.) on all working days (except Sundays and Public Holidays) between 11.00 a.m. to 1.00 p.m. up to the date of this Annual General Meeting ("AGM") and also at the AGM.
23. **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 and Regulation 44 of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, the Company is pleased to provide members facility to exercise their right to vote at the 35<sup>th</sup> 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.  
NOTE: Shareholders already registered with NSDL for e-voting will not receive the PDF file "**KCFL.PDF**".
      - (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 "Khaitan Chemicals and Fertilizers Limited" (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 [csriteshguptakcfl@gmail.com](mailto:csriteshguptakcfl@gmail.com) with a copy marked to [khaitanchemfert@gmail.com](mailto:khaitanchemfert@gmail.com)
    - 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]:
      - (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :  
**EVEN (E-Voting Event Number) / PASSWORD / PIN USER ID**
      - (ii) 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.  
NOTE: Shareholders who forgot the User Details/Password can use "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

# KHAITAN CHEMICALS AND FERTILIZERS LIMITED



In case Shareholders are holding shares in demat mode, USER-ID is the combination of (DPID+ClientID).

In case Shareholders are holding shares in physical mode, USER-ID is the combination of (Even No+Folio No).

- 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, 19<sup>th</sup> day of August, 2017 (9:00 A.M.) and ends on Monday, 21<sup>st</sup> day of August, 2017 (5:00 P.M.). 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 Wednesday, 16<sup>th</sup> day of August, 2017, 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 Wednesday, 16<sup>th</sup> day of August, 2017, 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 Wednesday, 16<sup>th</sup> day of August, 2017.
- 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. Wednesday, 16<sup>th</sup> day of August, 2017, may obtain the login ID and password by sending a request at [ankit\\_4321@yahoo.com](mailto:ankit_4321@yahoo.com) or [khaitanchemfert@gmail.com](mailto:khaitanchemfert@gmail.com) or [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
- XI. CS Ritesh Gupta, Company Secretary Whole Time in Practice (ICSI Membership No. FCS-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](http://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 an 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 29, 2017, 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, 2018.

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.

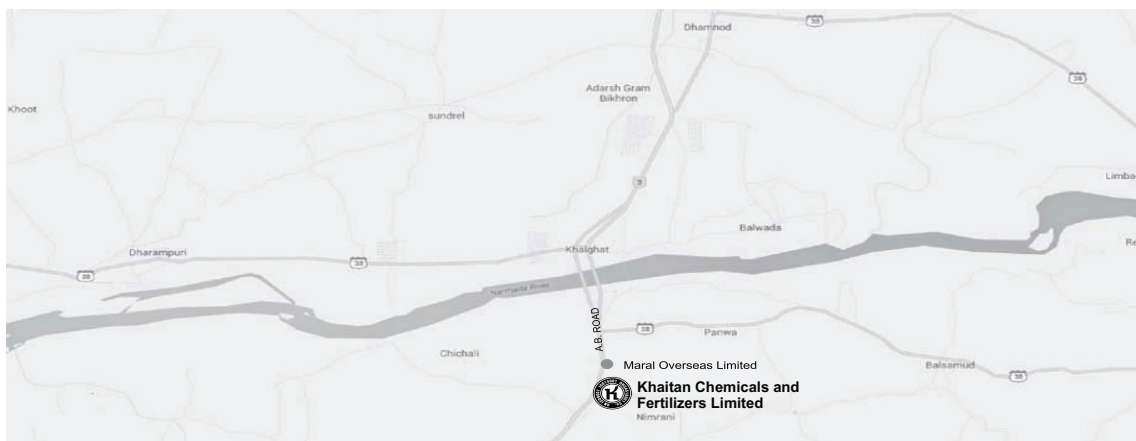
None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

## Annexure-I

**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 Requirements) Regulations, 2015:**

<b>Name of Director</b>	<b>Shri Utsav Khaitan</b>
<b>Age</b>	26 year
<b>Qualification</b>	BSc (Economics)
<b>Date of Appointment</b>	20 <sup>th</sup> May, 2014
<b>Expertise</b>	Marketing
<b>Other Directorships (excluding Pvt. Companies) as on March 31, 2017</b>	Nil
<b>Chairman / Member of the Committees as on March 31, 2017</b>	<b>Khaitan Chemicals and Fertilizers Limited :</b> <b>Member- Corporate Social Responsibility Committee</b>

## Route Map for the Venue of 35<sup>th</sup> Annual General Meeting



# KHAITAN CHEMICALS AND FERTILIZERS LIMITED



## DIRECTORS' REPORT

### To the Members,

Your Directors are pleased to present the 35<sup>th</sup> Annual Report of your Company alongwith Audited Financial Statement for the financial year ended 31<sup>st</sup> March, 2017.

### FINANCIAL RESULTS

The financial performance of the Company for the year ended 31<sup>st</sup> March, 2017 is summarised below:

	(Rs. in Lacs)	
Particulars	2016-17	2015-16
Sales (Gross)	36434.54	39777.24
Net Sales	36202.58	39404.56
Surplus before interest, depreciation, exceptional items and Tax	4148.61	4165.11
Less: Financial Cost	3114.59	2966.23
Cash Profit before tax	1033.68	1198.88
Less: Depreciation	820.27	863.61
Exceptional Items	-	-
Profit/(Loss) before taxation	213.41	335.27
Provision for current tax	97.66	75.94
MAT Credit Entitlement	(76.36)	-
Income Tax of earlier year	1.91	-
Deferred tax	11.03	93.66
Profit/(Loss) after taxation	179.17	165.67
Transfer to General Reserve	-	-
Earning Per Share (face value of Re. 1/- each)	0.18	0.17

### REVIEW OF OPERATIONS

#### FERTILIZERS & CHEMICALS DIVISION

The year 2016-17 continued to be a challenging period with weak economic environment due to previous two years of drought and consequently high channel stocks and low income with the farmers. Also the country faced a consecutive drought (in some of the regions) for the second year in 2016-17, which is a rare phenomenon. As a result, the agriculture related businesses; especially fertilizers trade was very poor. On top of that there was a major shortage of one of the raw materials due to running out of zinc ore deposits with Hindustan Zinc Ltd., a major supplier of Sulphuric Acid to western India. That too in the peak Kharif season. The depreciating Indian currency during major part of the year compounded the situation since the Company's major raw material is imported.

Further the demonetization had a major impact by way of slowdown in Indian agriculture sector. Keeping in mind the huge dependence of the agriculture sector on cash, the farmers, especially small and marginal among them, were adversely affected, offsetting the benefits of a good monsoon season after two years of drought. The agricultural sector is still not fully recovered from the adverse impact of demonetization. We are keeping an eye on the market and continuing with all our schemes and promotions for rewarding non-cash payments.

During the year, even though the turnover of your Company has decreased from Rs. 39,404.56 lacs for the year 2015-16 to Rs. 36,202.58 lacs for the year 2016-17 by about 8% the operating income has decreased only marginally from Rs 4,165.11 lacs in 2015-16 to Rs 4,148.27 lacs in 2016-17, and the cash profit has decreased from Rs 1,198.88 lacs to Rs 1,033.68 in the respective periods, while the net profit after tax has increased from Rs. 165.67 lacs to Rs. 179.17 lacs. The increase in net profit after tax is mainly due to the provision of MAT Credit Entitlement Rs 76.36 lacs in 2016-17 against Rs. NIL lacs in 2015-16.

The Company has produced 415452 MT (previous year 337329 MT) Single Super Phosphate and sold 385574 MT including export of 500 MT (previous year 404646 MT).

The Company is trying to diversify its portfolio and has initiated import of NPK fertilizers in a small way. The Company has imported 6417 MT NPK fertilizers (previous year NIL) and sold 2898 MT during the year (previous year NIL).

The Company is continuing its efforts for optimizing its current assets to leverage sales 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 2017-18, we expect to perform better in this year.

The Government has also removed the statutory requirement of minimum production effective from 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.2343/- per MT to Rs. 2166/- per MT w.e.f. 01.04.2017 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.

#### GOODS AND SERVICE TAX (GST)

The passage of the GST bill in the Parliament is a positive for the economy and will bring in more transparency in the tax administration. GST will create a common Indian market, improve tax compliance and governance. The transition to GST is complex from an administrative as well as a technological perspective. What will be critical is the efficiency in relation to its implementation.

#### 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 2016-17, previous year Re.0.05 per equity share.

#### SHARE CAPITAL

The paid up Equity Share Capital as on 31<sup>st</sup> March, 2017 was Rs. 969.89 Lacs divided into 9,69,89,200 shares of Re. 1/- each. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity.

#### RESERVES AND SURPLUS

The Company has not transferred any amount to General Reserves for the financial year 2016-17.

#### INVESTORS EDUCATION AND PROTECTION FUND

Dividend which was declared by the Company for the year ended March 31, 2010 at the Annual General Meeting held on July 30, 2010 and remained unclaimed will be transferred to the Investor Education and Protection Fund of the Central Government on August 27, 2017 pursuant to the provisions of Companies Act, 2013. Thereafter no claim shall lie on dividend for the year ended March, 2010 from the shareholders.

#### PROJECTS & FINANCE

The Company has availed loans of Rs. 11.85 Crores, from State Bank of India and Axis Bank for modernization of acid plants and purchase of vehicles.

#### 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.

# KHAITAN CHEMICALS AND FERTILIZERS LIMITED



## **MATERIAL CHANGES EFFECTING FINANCIAL POSITION 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 and Disclosure Requirements) Regulations, 2015, the Management Discussion and Analysis Report forms part of this Report (**Annexure - B**)

## **FOREIGN EXCHANGE EARNING AND OUTGO**

The Company has earned Rs. 55.41 lacs on export of goods (Previous year Rs. NIL) and incurred Rs. 12653.73 lacs (Previous year Rs. 6937.79 lacs) on import of Raw Materials, NPK Fertilizers, 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 Utsav Khaitan (DIN : 03021454), Whole Time 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 for the consideration of members of the Company at the ensuing Annual General Meeting.

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 and Disclosure Requirements) Regulations, 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 as required under section 203 of the Companies Act, 2013 by the Board of Directors during the year under review:

- (a) Shri Shailesh Khaitan, Chairman & Managing Director;
- (b) Shri Harsh Vardhan Agnihotri, President & Chief Financial Officer and
- (c) 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 read with Regulation 16 (B) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 and 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 Venture/Associate Company.

## **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) Regulations, 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 AND REMUNERATION POLICY**

Pursuant to Section 178 of the Companies Act, 2013, the rules made there under and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Nomination and Remuneration Committee, comprises of Shri Balmukund Dakhera, Chairman, Shri Vijay Gupta and Ms. Veena Chadha as its members.

The Nomination and 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**

Pursuant to provisions of section 139 of the Companies Act, 2013 and rules made thereunder, the term of Office of M/s. S. S. Kothari Mehta & Co., Chartered Accountants, New Delhi, as Statutory Auditors of the Company, will conclude from the close of ensuing Annual General Meeting of the Company.

The Board of Directors places on record its appreciation to the services rendered by M/s. S. S. Kothari Mehta & Co., Chartered Accountants, New Delhi as the Statutory Auditors of the Company.

The Company has received proposal from M/s. NSBP & Co., Chartered Accountants, New Delhi, regarding appointment of Statutory Auditors of the Company and they have also consented for carrying out the Statutory Audit of the Company.

The Board has recommended appointment of M/s. NSBP & Co., Chartered Accountants, New Delhi as Statutory Auditors of the Company for carrying out the Statutory Audit of the Company for the Term of 5 years commencing from the conclusion of 35<sup>th</sup> Annual General Meeting to the conclusion of 40<sup>th</sup> Annual General Meeting of the Company (from Financial Year 2017-2018 to 2021-2022), which will be subject to ratification by shareholders in ensuing Annual General Meeting. 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 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

There have been no instances of fraud reported by the Statutory Auditors under Section 143(12) of the Act and Rules framed thereunder, either to the Company or to the Central Government.

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

## **COST AUDITOR**

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 on the recommendation of Audit Committee 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 2017-18.

As required under Companies Act, 2013 a resolution seeking members approval for the remuneration payable to cost Auditor forms part of the notice conveying the Annual General Meeting for their ratification.



# KHAITAN CHEMICALS AND FERTILIZERS LIMITED



## INTERNAL AUDITOR

M/s. APAS & Company, Chartered Accountants, New Delhi is appointed as an Internal Auditor of the Company to conduct the internal audit of the Company for the Financial Year 2017-18, 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. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the Internal Control System and suggest improvements to strengthen the same. 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.

## 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 2017-18.

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 (CSR) INITIATIVES

Pursuant to Section 135 of Companies Act, 2013 and the relevant rules, the Corporate Social Responsibility Committee comprises 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)

## BOARD EVALUATION

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) Regulations, 2015, the Board adopted a formal mechanism for evaluating its performance and as well as that of 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 and effectiveness 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 March 31, 2017 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 31<sup>st</sup> March, 2017 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. 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 31<sup>st</sup> March, 2018 to the BSE.

## DEMATERIALIZATION 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 31, 2017, 97.02% of the share capital stands dematerialized.

## RISK MANAGEMENT

The Company has in place Risk Management Policy as per requirement of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 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 stake holders in the business processes, plan and meet strategic objectives and evaluate, tackle and



# KHAITAN CHEMICALS AND FERTILIZERS LIMITED



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 and 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 2016-17.

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(1) 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-H).

There are no instances of employees who was in receipt of remuneration in excess of the limit prescribed in 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 made thereunder.

In accordance with the provisions of Section 136 of the Act, the Annual Report and Accounts are being sent to all the Members of the Company excluding the aforesaid information and the said particulars will be made available on request and also made available for inspection at the Registered Office of the Company. Any Member interested in obtaining such particulars may write to the Company Secretary of the Company.

None of the employees listed in the said Annexure is a relative of any Director of the Company. None of the employees hold (by himself or along with his spouse and dependent children) more than two percent of the equity shares of the Company.

## APPRECIATION

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.

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

for and on behalf of the Board

(SHAILESH KHAITAN)  
CHAIRMAN & MANAGING DIRECTOR  
DIN: 00041247

Place: Gurugram  
Date: May 29, 2017

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:

Item	Current Year	Previous Year
<b>1. Electricity:</b>		
a) Purchased Units (KWH)	14195788	11278655
Total amount (Rs. in Lacs)	1124.72	922.29
Rate/Unit (Rs.)	7.92	8.18
b) Own generation:		
i. Through diesel generator Units (KWH)	25793	18967
Total amount (Rs. in Lacs)	7.03	4.60
Rate/Unit (Rs.)	27.25	24.24
ii. Through steam turbine Units * (KWH)	6616619	4608791
Total amount	-	-
(*Net of Self Consumption in TG)		
<b>2. Coal:</b>		
Quantity (In MT)	4142	3183
Total Cost (Rs. in Lacs)	259.63	217.78
Rate/Unit (MT) (Rs.)	6268.96	6842.30
<b>3. Furnace oil:</b>		
Quantity (K. Lts.)	54	152
Total Amount (Rs. in lacs)	16.31	51.61
Average Rate /Lt.	30.38	33.99

## B. Consumption per Unit of Production:

Item	Product	Current Year	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	32.47	29.88
	S.A./Oleum/Liquid So3	66.18	64.23
	Labso	N.A.	N.A.
	Soya Oil/Doc	N.A.	N.A.
Coal (KG/MT)	Soya Oil/Doc/Power	N.A.	N.A.
	G.S.S.P.	35.27	35.36



## Management Discussion and Analysis Report

Annexure - 'B'

### 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.

The Company's Performance is dependent on several external factors such as performance of monsoon, government policy, fluctuation of price of raw material and finished products and also their availability etc. which could adversely affect the operations of the Company.

### BUSINESS OVERVIEW

The Company is mainly engaged in the manufacturing of Single Super Phosphate (Fertilizer), Sulphuric Acid (Chemical) and Soya Edible Oil. All the segments are related to agriculture and totally dependent on monsoon.

### Segment-wise Business Review and Operational and Financial Performance:

The summarized performance of the Company in terms of production and sales for last 5 years are as under:

(Quantity in MT)

Particular	2016-17	2015-16	2014-15	2013-14	2012-13
<b>Production:</b>					
SSP	415452	337329	347238	392448	389052
Sulphuric Acid	105792	86279	71580	120260	123014
Oleum/Liquid So <sub>3</sub>	3245	2318	2115	1479	1193
Seed Crushing	-	-	-	2135	4362
Refined Oil	-	-	-	318	3878
<b>Sales:</b>					
SSP	385574	404646	322071	372984	402861
Sulphuric Acid	51710	46567	41815	57750	38555
Soya Oil	1001	1709	2083	2456	4527
De-Oiled Cake	-	-	-	1730	4509

The summarized financial performance of the Company for last 5 years are as under:

(Rs. In lacs)

Particular	2016-17	2015-16	2014-15	2013-14	2012-13
<b>Sales:</b>					
Fertilizer	34803.84	37079.10	30320.89	35289.93	39893.47
Soya / Agri	1347.60	2284.46	2565.78	3462.14	5027.46
<b>PBIDT:</b>					
Fertilizer	2948.36	3118.46	2750.19	1836.86	2520.40
Soya / Agri	361.03	173.89	67.44	20.35	(212.59)
<b>EPS(Rs) :</b>	0.18	0.17	0.36	(0.17)	0.22
<b>DIVIDEND:</b>	5%	5%	5%	5%	5%
<b>Face Value (Per share)</b>	1	1	1	1	1

The year 2016-17 even though was a normal monsoon year for most of the Country but for Maharashtra, Karantaka, Telanagana amongst other south Indian states experienced deficient rainfall. Apart from this, the Industry was beleaguered with three major events, which affected the performance negatively. Hindustan Zinc Ltd. a major supplier of Sulphuric Acid to western parts of India had run into out of zinc ore from its open cast mining thereby affecting production in most of our units in peak season. The depreciation of Indian currency during major part of the year compounded the situation since the Company's major raw material is imported.

Demonetisation simply chopped off the on the ongoing Rabi season and as result the sales of Fertilizer stopped altogether. Keeping in mind the huge dependence of the agriculture sector on cash, it is feared that farmers, especially small and marginal among them, were adversely affected, offsetting the benefits of a good monsoon season after two years of drought in some of the regions. The agricultural sector is still recovering from the affects of demonetization and it will still take some more time to resume full operations. We are keeping an eye on the market and continuing with all our schemes and promotions for rewarding non-cash payments.

During the year, even though the turnover of your Company has decreased from Rs. 39,404.56 lacs for the year 2015-16 to Rs. 36,202.58 lacs for the year 2016-17 by about 8% the operating income has decreased only marginally from Rs 4,165.11 lacs in 2015-16 to Rs 4,148.27 lacs in 2016-17,

and the cash profit has decreased from Rs 1,198.88 lacs to Rs 1,033.68 in the respective periods, while the net profit after tax has increased from Rs. 165.67 lacs to Rs. 179.17 lacs. The increase in net profit after tax is mainly due to the provision of MAT Credit Entitlement Rs 76.36 lacs in 2016-17 against Rs. NIL lacs in 2015-16.

### FERTILIZERS & CHEMICALS DIVISION

The Company has India's largest Single Super Phosphate (SSP) production capacity of 11,13,500 MT in the states of Madhya Pradesh, Rajasthan, Uttar Pradesh, Chhattisgarh & Gujarat alongwith Sulphuric Acid (SA) production capacity of 2,70,600 MT in the States of Madhya Pradesh, Uttar Pradesh & Chhattisgarh. Sulphuric Acid is also a raw material for production of SSP.

The Company has produced 415452 MT (previous year 337329 MT) Single Super Phosphate and sold 385574 MT including export of 500 MT (previous year 404646 MT).

The Company is trying to diversify its portfolio and has initiated import of NPK fertilizers in a small way. The Company has imported 6417 MT NPK fertilizers (previous year NIL) and sold 2898 MT during the year (previous year NIL).

### INDUSTRY STRUCTURE AND DEVELOPMENTS

Agriculture is the third largest sector of Indian Economy, which contributes around 17% of total GDP of the Country. Fertilizer Industry, with the emerging scenario, plays vital role in the growth of Agriculture Sector. The balanced use of chemical fertilizer is important not only for increasing agricultural productivity but also for sustaining soil fertility.

The Company is producing SSP, which contains Phosphate, Sulphur, Calcium and other micro nutrients and could be said to be a 'Generic Customized Fertilizer'. It is an essential Fertilizer for crops likes Oilseeds, Pulses, Sugarcane, Fruits and Vegetables, Tea etc. and for sulphur deficient soils. Main features of SSP Fertilizer Industry are-

- Basic need for agriculture and its development.
- Second largest consumer in the world.
- Third largest producers in the world.
- SSP is multi-nutrient fertilizer containing P<sub>2</sub>O<sub>5</sub> as primary nutrient and Sulphur, Calcium & magnesium as secondary nutrients.
- SSP fertilizer is the lowest priced fertiizer per kg, and preferred by small & marginal farmers.
- Highly dependent on Imported Raw Material.
- Highly subsidised by Government of India.
- Substantial Import of Finished Products other than SSP.

SSP, which is a poor farmer's fertilizer (price wise), is an option to optimize the use of phosphate fertilizers. It also helps to treat sulphur deficiency in soil (40% Indian soil is sulphur deficient) as well as for further enhancement of yields at the least cost.

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

Government's continuous thrust to encourage SSP to substitute imports of DAP and NPK is an indicator of upward trend in the Industry's future.

### Future Outlook

It is expected that the Country will have an above normal monsoon in 2017, resulting in relief to Indian agriculture sector and related industries like Fertilizer.

Government of India has initiated a road map to move towards the system of paying subsidy directly to beneficiary viz, the farmers, which will improve targeted delivery of subsidies to the farmers and eliminate leakages by direct benefit transfer (DBT) using JAM [Jan Dhan Yojana (JDY), Aadhar Card and Mobile No.] platform.

The Government has also removed the statutory requirement of minimum production, effective from the financial year 2016-17. 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. 2343/- per MT to Rs. 2166/- per MT w.e.f. 01.04.2017 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.