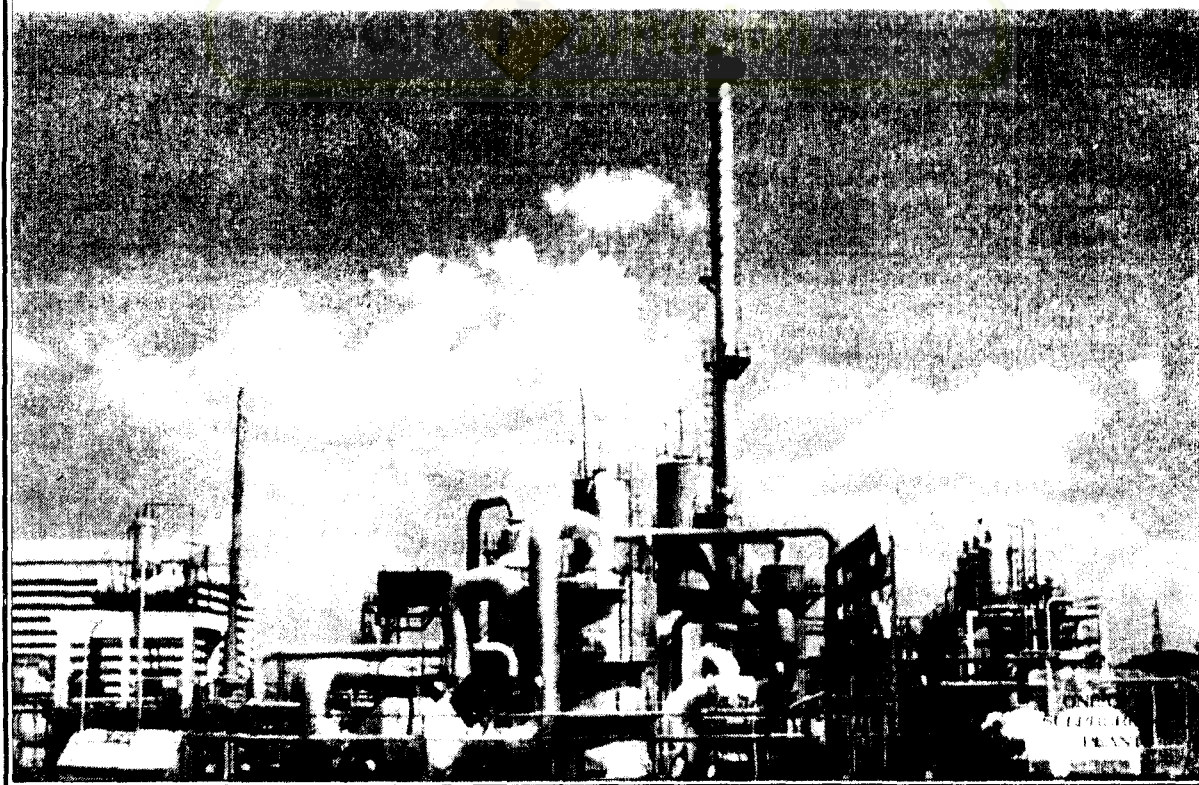


# 25<sup>th</sup> ANNUAL REPORT

2006 - 2007



**KHAITAN CHEMICALS & FERTILIZERS LIMITED**





# KHAITAN CHEMICALS & FERTILIZERS LIMITED

## ANNUAL GENERAL MEETING :

Date : 30th July, 2007  
Day : Monday  
Time : 1.00 P.M.  
Place : Registered Office

## BOARD OF DIRECTORS :

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

## REGISTERED OFFICE :

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

## PRESIDENT & SECRETARY:

**R. S. Vijayvargiya**

## INDORE OFFICE :

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

## AUDITORS:

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

## DELHI OFFICE :

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

## SOLICITORS:

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

## KOLKATA OFFICE :

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

## BANKERS:

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

## WORKS :

### Fertilizers & Chemical Division:

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

### Soya Division (Khaitan Agro):

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

## CONTENTS:

Notice	: 3-5
Directors' Report	: 6-8
Management Discussion & Analysis Report	: 9-11
Corporate Governance	: 12-17
Auditors' Report	: 18-19
Balance Sheet	: 20
Profit & Loss Account	: 21
Schedules to Accounts	: 22-32
Balance Sheet Abstract	: 33
Cash Flow Statement	: 34

## Listing of Shares:

The Mumbai Stock Exchange (B.S.E.)  
**Stock Code:** 507794  
**ISIN No.:** INE745B01010 (NSDL & CDSL)

**KHAITAN CHEMICALS & FERTILIZERS LIMITED****NOTICE**

NOTICE is hereby given that the **TWENTYFIFTH ANNUAL GENERAL MEETING OF KHAITAN CHEMICALS & FERTILIZERS LTD.** will be held at the Registered Office of the Company at A. B. Road, Village NIMRANI, Tehsil Kasrawad, Dist. Khargone, Madhya Pradesh on Monday, the 30th day of July, 2007 at 1.00 P.M. to transact the following business :

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2007 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri O.P. Bagla, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. P. Goyal, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS:****6. RE-APPOINTMENT OF SHRI SHAILESH KHAITAN AS CHAIRMAN & MANAGING DIRECTOR.**

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

"RESOLVED THAT pursuant to provisions of sections 198, 269, 309, 310, read with part I and II of Schedule XIII and other applicable provisions of Companies Act, 1956 or any amendment or modification or re-enactment thereof, and subject to approval of Financial Institutions/Banks, as may be required, the Company hereby approves terms of appointment and remuneration of Shri Shailesh Khaitan, which has been approved by the Board of Directors of the Company as Chairman & Managing Director for a further term of 5 years w.e.f. 26th April, 2007 in accordance with the provisions specified in part I & II of Schedule XIII to the Companies Act, 1956 on the terms & Conditions including remuneration as are set out in the Explanatory Statement attached to the notice convening this Annual General Meeting a copy where of initialed by the Chairman for the purposes of identification is placed before this meeting, be and the same is hereby approved, with such modifications as may be agreed to by the Board of Directors of the Company and Shri Shailesh Khaitan."

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

Date: 30.04.2007

By Order of the Board  
S/d  
(R. S. Vijayvargiya)  
President & Secretary

**NOTES:**

1. **A member entitled to attend and vote is entitled to appoint a proxy and vote instead of himself and such proxy need not be a member of the Company. Proxy Form must reach the Company's Registered Office at least 48 hours prior to the time of holding the meeting.**
2. Member(s)/Proxies should bring the attendance slip annexed herewith duly filled in for attending the meeting.
3. The Register of Members and Transfer Book of the Company will remain closed from 23rd July, 2007 to 30th July, 2007 (both days inclusive).
4. Members are requested to notify to the Company immediately, quoting Registered Folio No., Change in their Address, if any, with the pin code number.
5. Non-resident members are requested to immediately notify: - (i) change in their residential status on return to India for permanent settlement; and (ii) particulars of NRE account, if not furnished earlier.
6. Members who are holding shares in identical names in more than one folios, are requested to write to the Company/



# KHAITAN CHEMICALS & FERTILIZERS LIMITED

Ankit Consultancy Pvt. Ltd. the Registrar and share transfer agent, to consolidate their holding in one folio.

7. Shareholders who are still holding physical share certificate are advised to dematerialised their shareholding to avail benefit of dematerialisation.
8. The Company has transferred all unpaid/unclaimed equity dividends up to the financial year 1998-99 to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to section 205C of the Companies Act, 1956.
9. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the President & Secretary at least seven days before the date of the meeting so that the required information can be made available at the meeting.
10. Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is annexed.

## **Explanatory Statement : Pursuant to Sec 173 (2) of the companies Act 1956.**

### **Item No. 6**

Shri Shailesh Khaitan was re-appointed as Managing Director in 20th Annual General Meeting of the Company w.e.f. April 26, 2002 for a period of 5 years. Tenure of Shri Shailesh Khaitan expired on 25th April 2007.

Shri Shailesh Khaitan is a promoter director of the Company and associated as Managing Director since 1st September, 1984. In his able leadership the performance of the Company has been satisfactory.

The Board of Directors of the Company at its meeting held on 30th April, 2007 has therefore re-appointed Shri Shailesh Khaitan as Chairman & Managing Director of the Company subject to the approval of members and shareholders of the Company in General Meeting for a further term of five years w.e.f. 26th April 2007, at the remuneration, in accordance with the norms laid down in Schedule XIII and other applicable provisions of the Companies Act, 1956, as reproduced herein below:

1. Salary Rs. 4,00,000/- per month, with an annual increment of Rs. 40,000/- per month.
2. Commission: 1% on the net profit of the Company, computed in manner laid down under Companies Act, 1956 subject to the maximum 100% of the Salary.
3. Perquisites: Perquisites in part - A shall be restricted to an amount equal to the Annual Salary.

### **Part-A**

- (i) Expenditure incurred by the Company on hiring accommodation for the Managing Director will be subject to 60% of the salary.
- (ii) If the company does not provide accommodation to the Managing Director, House Rent Allowance will be paid by the Company to the Managing Director subject to the ceiling mentioned hereinabove.
- (iii) If accommodation in the company's owned house is provided, the Managing Director shall pay to the company by way of rent i.e. 10% of the salary.
- (iv) The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per Income Tax Rules, 1962 subject to a ceiling of 10% of the salary
- (v) Medical Reimbursement: Reimbursement of medical expenses actually incurred for self and family, subject to ceiling of one month's salary in a year with a right to carry forward.
- (vi) Leave Travel Concession: Leave Travel Concession for self and the family, subject to ceiling of 1 month salary.
- (vii) Club Fees: Fee of two clubs. This will not include admission and life membership fee.
- (viii) Personal Accident Insurance: The Annual Premium will not exceed Rs. 20000/-.

The salary and perquisites are restricted to 5% of the Net Profit of the Company as provided under section 309 of the Companies Act, 1956.

### **Part-B**

- (i) Company's contribution towards Provident Fund subject to a ceiling of 12% of the salary.
- (ii) Company's contribution towards Provident fund, Pension/ Superannuation fund/ Public Provident fund as per rules of the Company to the extent that these are not taxable under the Income Tax Act.

**KHAITAN CHEMICALS & FERTILIZERS LIMITED****Part - C**

- (i) Free use of Company's car for the Company's business
- (ii) Personal long distance call on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.
- (iii) 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.

**Minimum Remuneration:**

Where in any financial year closing on and after 31st March, 2007, the Company has no profits or its profits are inadequate, the remuneration by way of salary, perquisites, benefits, allowances and amenities payable to Shri Shailesh Khaitan will be in accordance with the Para B, section II, Part II of Schedule XIII of the companies Act, 1956.

Details as required under Clause 49 of the Listing Agreement are annexed hereto and form part of the Notice.

None of the Directors (except Shri Shailesh Khaitan) is concerned or interested in the said resolution.

This explanation, together with the accompanied notice is and should be treated as an abstract under section 302 of the Companies act, 1956 in respect of the appointment of Shri Shailesh Khaitan as Chairman & Managing Director.

The Board recommends the proposed resolution for your approval.

Registered Office:

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

Date: 30.04.2007

By Order of the Board

S/d

(R. S. Vijayvargiya)  
President & Secretary

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

Name of Director	Shri O. P. Bagla	Dr. P. Goyal	Shri Shailesh Khaitan
Age	64 years	63 years	51 years
Qualification	C.A.	BSc Tech. (Chemicals Engineering and Ph.D in Chemical Engineering	B. Com (Hons.)
Date of Appointment	7th March, 1989	16th July, 1999	1st September, 1984
Expertise	Rich and vast experience in the field of Taxation and finance.	Excellent General Management Skills & Vast Project Consulting Experience.	Industrialist
Other Directorships (excluding Pvt. Companies) as on 31st March, 2007	Nil	Nil	1. Shradha Projects Ltd. 2. Tribhuvan Properties Ltd.
Chairman / Member of the Committees as on 31st March, 2007	1. Khaitan Chemicals & Fertilizers Ltd.: <b>Member:</b> 1. Audit Committee 2. Shareholder's/Investor's Grievances Committee <b>Chairman:</b> 1. Audit Committee 2. Shareholder's/Investor's Grievances Committee	1. Khaitan Chemicals & Fertilizers Ltd.: <b>Member:</b> 1. Audit Committee 2. Shareholder's/Investor's Grievances Committee	Nil





# KHAITAN CHEMICALS & FERTILIZERS LIMITED

## DIRECTORS' REPORT

To the members,

Your Directors have pleasure in presenting the 25th Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2007.

### FINANCIAL RESULTS

(Rs. in lacs)

	2006-2007	2005-2006
Surplus before interest and depreciation	2922.12	2293.76
Less: Interest & Financial Expenses	1002.85	757.25
Cash Profit before tax	1919.27	1536.51
Less: Depreciation	643.38	533.56
Misc. Expenses Written off	2.88	2.88
Surplus before tax	1273.01	1000.07
Prior Period adjustments	(13.63)	52.15
Profit /(Loss) before taxation	1259.38	1052.22
Provision for current tax	(156.22)	(85.55)
Deferred Tax	(167.56)	(66.98)
Fringe Benefit Tax	(11.23)	(14.97)
Profit /(Loss) after taxation	924.37	884.72
Income Tax of earlier year	(0.07)	(0.42)
Add: Transfer from Capital Subsidy	0.79	0.79
Net Profit/(Loss)	925.09	885.09
Add: Profit/(Loss) B/F from previous year	364.77	376.53
Less: Transfer to -		
- General Reserve	100.00	700.00
- Proposed Dividend	174.58	172.64
- Corporate Dividend Tax	29.67	24.21
Balance carried to Balance Sheet	985.61	364.77

### DIVIDEND

Your Directors are pleased to recommend 18% Dividend on Equity Shares subject to approvals of the Financial Institutions/Banks.

### PROJECT & FINANCE

The SSP Industry is facing a severe crises on account of mis-match between enhanced cost of production and distribution on the one hand and comparatively low realisation from adhoc subsidy fixed by the Central Government and MRP fixed by the State Government on the other hand.

The Project 'Green field integrated' Single Super Phosphate Plant in Andhra Pradesh has been delayed due to delay in allotment of land at proper location by APIDC. Though we expects the land may be allotted during the current year but the indecisive approach of the Central Government towards Fertilizer sector may cause further delay in implementation of the project.

The Company has put up the Lecithin plant at Ratlam as a forward integration to use the by-product of refinery. The Company is also taking necessary action to produce value added product of Soya meal.

1.25 M.W. Wind Energy plant has been put up at Nandurbar in the state of Maharashtra.

The Company has availed Rs. 1600 Lacs as Corporates Loan which inter-alia includes for advance to M/s. Shobhan Enterprises Private Ltd. having 800 TPD Solvent Extraction plant and 100 TPD Refinery plant with an agreement for long term processing arrangement. The Company has started soybean processing at the plant of M/s. Shobhan Enterprises Private Ltd. during the current year.

### PERFORMANCE & FUTURE PLAN

The good crop of Soybean in consecutive second year with availability of higher capacity as leads to highest ever crushing in the year.

# KHAITAN CHEMICALS & FERTILIZERS LIMITED



The production of Single Super Phosphates has been again restricted due to availability of indigenous Rock Phosphate from Rajasthan State Mines & Minerals Ltd. consequently leading and lead to under utilisation of capacity. The Government indecisiveness approach towards Fertilizer industry in general and SSP industry in particular forced the management to 'GO SLOW' and 'Wait & Watch' policy for further expansion.

The SSP industry is also facing huge problem due to the quality determination system adopted by the Government Agencies.

The cost escalation of raw material as well as logistic cost has eroded a large portion of margin in fertilizer segment.

Your Directors reiterate that considering the basic strength of its manufacturing facilities, the performance of the Company shall be comparable and better than industry average. The Company also hopes that the Government of India shall re-look on the basis of subsidy on various fertilizers

## **DIRECTORS**

Shri O.P. Bagla & Dr. P. Goyal retires by rotation and being eligible offer themselves for re-appointment. Particulars of the retiring Directors are given in the notes forming part of the notice for the ensuing Annual General Meeting.

## **FIXED DEPOSITS**

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

## **AUDITORS & AUDIT REPORT**

M/s. S. S. Kothari Mehta & Co., Chartered Accountants, New Delhi, Auditors of the Company hold office till the conclusion of ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Regarding qualification remark under para VI of the Auditors reports the management is of the views that there is no material liability in case of leave pay whereas there is no dues and receiveable on account of land revenue and capital subsidy respectively. All other notes on accounts referred to and the Auditors' Report are self-explanatory and therefore do not call for any explanatory note.

M/s. M. P. Turakhia & Associates, Cost Accountants were appointed as Cost Auditors to conduct cost audit of the accounts maintained by the Company in respect of its Fertilizers and Sulphuric Acid products for the financial year 2007-2008.

## **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

Information as specified U/S 217 (1) (e) of the Companies Act, 1956 is given in **Annexure A** in Form-A.

Your Directors are of the opinion that the Company has already opted for latest technology for producing Single Super Phosphate, Sulphuric Acid, Seed Processing & Oil Refinery. Hence, information specified to be given in Form-B is not applicable.

## **FOREIGN EXCHANGE EARNING AND OUTGO**

The Company has earned Rs. 250.58 lacs on export of goods (Previous year Rs. NIL) and incurred Rs. 879.02 lacs (Previous year Rs. 1612.17 lacs) on import of Raw Materials, Fees & Subscription and Interest on Foreign Currency Loan.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the statement of affairs of the Company at the end of the Financial year ended 31.03.2007 and of the Profit or Loss of the Company for that period;
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the Directors have prepared the annual accounts on a going concern basis.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

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

## **CORPORATE GOVERNANCE**

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

## **LISTING OF SHARES**

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

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



# KHAITAN CHEMICALS & FERTILIZERS LIMITED

## PARTICULARS OF EMPLOYMENT

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

### ACKNOWLEDGEMENT

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

For and on behalf of the Board

Place: New Delhi

Date: 30.04.2007

**(SHAILESH KHAITAN)**

CHAIRMAN & MANAGING DIRECTOR

### Annexure - A

Form 'A' for disclosure of particulars with respect to conservation of energy and forming part of Directors Report:

#### A) POWER & FUEL CONSUMPTION:

	Current Year	Previous Year
<b>1. Electricity:</b>		
a) Purchased Units	12555588	7859947
Total amount (Rs. in Lacs)	617.82	435.22
Rate/Unit (Rs.)	4.92	5.54
b) Own generation:		
i. Through diesel generator Units	522783	1270903
Total amount (Rs. in Lacs)	57.48	107.06
Rate/Unit (Rs.)	11.00	8.42
ii. Through steam turbine Units *	12418465	14499644
Total amount	-	-
(* Net of Self Consumption in TG)		
<b>2. Coal:</b>		
Quantity (In MT)	14421	5811
Total Cost (Rs. in Lacs)	485.49	185.74
Rate/Unit (MT) (Rs.)	3367	3196
<b>3. Furnace oil:**</b>		
Quantity (K. Lts.)	626	725
Total Amount (Rs. in lacs)	130.97	152.03
Average Rate /Lt.	20.91	20.96

#### B. CONSUMPTION PER UNIT OF PRODUCTION:

Item	Product	Current Year	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	24	24
	S.A./Oleum/Liquid So3	61	63
	Soya Oil/Doc	44	45
Coal (KG/MT)	Soya Oil/Doc	83	70

\*\* The Company has converted its GSSP processing based from Furnace Oil to Bio-mass during the year.

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

Name of Employees/his Qualification/designation	Age/No. of years Experience	Date of Commencement of Employment	Remuneration (Rs. in Lacs)	Last Employment
Employed through out the year. Shri Shailesh Khaitan B.Com (Hons.)/ Chairman & Managing Director	51/27	01-09-84	38.68 lacs	Managing Director M/s. Majestic Packaging (P) Ltd. Calcutta.

Remuneration includes salary, commission, leave travel assistance and expenditure incurred by the Company on other perquisites valued in accordance with the Income Tax Rules, 1962.



**KHAITAN CHEMICALS & FERTILIZERS LIMITED**

Annexure - 'B'

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****CAUTIONARY STATMENT**

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

**BUSINESS OVERVIEW:**

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

The Government of India has so far not able to take decision on how to deal with mounting subsidy on fertilizer, which is continuously bleeding the fertilizer industry in general and SSP industry in particular.

Our Country is deficient in oil seeds and the Government of India has shown concern to encourage the production of oil seed crop, so as to reduce its dependence on large import, which is becoming dearer day by day due to increase use of Edible Oil as bio-fuel.

**1. INDUSTRY STRUCTURE AND OPPORTUNITIES & THREATS****Fertilizer Division:**

India is the second largest populous country in the world. To feed the total population of 1.10 billion, there is need for adequate food grains production in sustained manner. As the population grows we need to harness in the area of food grain production to match the growing population which has been made possible by scientific approach in agriculture, maintaining the idle N.P.K S ratio in order to get desired result.

India is the third largest producer and consumer of fertilizer in the world, as it is predominantly an agricultural country. The Government of India has already decontrolled the Phosphatic & Potashic Fertilizers (including SSP) except allowing some adhoc subsidy.

The Govt. is well aware that the higher subsidy to Urea has led to imbalanced use of fertilizers, which need to be corrected. Thus the further reduction in subsidy to fertilizer industry, which should inter-alia aims to encourage balanced use of fertilizers, shall increase the consumption of phosphatic fertilizers including SSP. However the indifferent policy of the Central Government with regards to subsidy on the Single Super Phosphate as compared to the Urea and DAP is a matter of concern.

SSP fertilizer is the cheapest source of phosphatic fertilizer with other inputs i.e. Sulphur, Calcium etc. and is poor man's fertilizer and will remain popular among farmers community. The management feels that due to its lower economical value with high distribution cost, there should be no impact of "WTO" as well as "No Subsidy Era".

To get the higher yields of our Agriculture produce, maintaining the idle N.P.K.S. ratio is must. Out of the N.P.K.S., the P & S. are supplied by SSP. SSP supplies three nutrients i.e. Phosphate, Sulphur and Calcium. The Single Super Phosphate fertilizer is the only efficient means of supply of Sulphur nutrient. The deficiencies of Sulphur across India is another area which is endorsed by the eminent organisation and thus sulphur carrying fertilizers has to be encouraged.

SSP belongs to partial decontrolled segment and low cost fertilizer with other additional nutrients (i.e. Sulphur and Calcium) and present imbalanced use of fertilizers in favour of highly subsidized urea should lead to growth in SSP after rationalization of subsidy.

However government's indecisiveness towards mounting cost of fertilizer viz a viz price charges from the farmer, leading to heavy subsidy burden or un-recovered cost is cause of concern for the Government and industry. Though the total subsidy outgo on SSP sector is marginal, the SSP industry is the most suffering industry amongst the fertilizer industries. The SSP industry is also continuously fighting for its credential amongst farmers due to the existence of short-term player in the industry.

**Soya Division**

Your Company is engaged in the business of edible oil mainly Soya oil. Different crude edible oils are imported like palm oil etc every year for blending and refining with other edible oil based products. Soya oil shall remain to be an import substitute commodity for many years to come.

Local demand of Soymeal is growing day by day, with increasing shift from Non-veg to Veg cattle feed etc. It is expected that local demands of Soymeal, shall increase to a considerable extent, which shall de-link the pricing with USA/South American countries.



# KHAITAN CHEMICALS & FERTILIZERS LIMITED

Better quality (Non GMO) and high protein contents makes the Indian Soymeal preferred buy and thus have a ready market for Soymeal, in countries like Indonesia, China, Japan, Korea, Pakistan, Nepal, Bangladesh and Middle East. But increasing local demand alongwith higher cost of production and appreciation of rupees may be detraints to export of Soymeal.

With first forecasting of the about normal monsoon in the current year, the acreage and production of soybean are expected to stable in the current year as the Soybean still remains the profitable as well the most liquid crop for the farmers. Soya growing is also gaining popularity in states like Maharashtra and Rajasthan.

For last four years, the NCDEX, NBOT and MCX (the future commodity & derivatives exchanges) have appeared as major market force in the edible oil sector. Your company also deals in the same to hedge its oil inventory to counter the high volatility in the Oil prices and also take position in the oilseeds to overcome the slow arrival of the soyseed in the market. This has benefited to the company by way of satisfactory capacity utilization.

The crushing of Soybean has been increased during the year after installation of 1000 TPD Plant. The Company would be able to grab the opportunity of higher crushing in the period of high parity besides the benefits of low overheads and higher efficiency in the operations.

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

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

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

Particular	Unit	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Production:</b>						
SSP	MT	327308	299739	262571	267926	221751
Sulphuric Acid	MT	137056	167971	125061	120804	112557
Oleum/Liquid So3	MT	4945	5938	4722	6170	9369
Seed Crushing	MT	149493	70501	44529	59731	27386
Refined Oil	MT	23478	12778	6464	10027	5049
<b>Sales:</b>						
SSP	MT	307776	294834	262081	256956	222477
Sulphuric Acid	MT	53143	89648	54451	39139	47919
Soya Oil	MT	24479	13141	8254	10046	5312
De-Oiled Cake	MT	125365	58467	36840	48398	22797

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

(Rs. In Lacs)

Particular	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Sales:</b>					
Fertilizer	14493.64	13883.26	10708.84	9512.08	8022.85
Soya	23023.51	10579.25	7708.87	9828.85	4617.66
<b>PBIDT:</b>					
Fertilizer	994.56	1603.53	989.67	1045.76	926.39
Soya	1801.12	592.71	650.46	1049.53	158.52

From the above it is very clear that the Company is strengthening its position in both the segment.

The performance of Fertilizer division is largely depends upon availability of Rock Phosphate clubbed with rational policy of subsidy by Government of India. At present the Company don't envisages problem of marketing due to its existing strong marketing network.

The performance of Soya division shall be depends upon timely monsoon as well as international price of edible oil and Soymeal.

Soya division comprises two products i.e. De-Oiled cake (DOC) and Edible Oil (Oil). DOC is mostly exported either directly or through merchant Exporter and being sent to port on Rake Load basis. No distributor is involved in this process and it is sold directly to the bulk purchaser. Edible oil is mass consumption item and is sold directly to the re-packers/ vanaspati manufacturers and other retailers on ex factory basis in tanker load in bulk. Hence no distributor/dealer is involved in this process as well.