





KHAITAN CHEMICALS & FERTILIZERS LIMITED

ANNUAL GENERAL MEETING :

Date : 30th July, 2010
Day : Friday
Time : 1.00 P.M.
Place : Registered Office

BOARD OF DIRECTORS :

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

REGISTERED OFFICE :

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

PRESIDENT & SECRETARY:

R.S. Vijayvargiya

INDORE OFFICE :

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

AUDITORS :

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

DELHI OFFICE :

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

SOLICITORS :

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

KOLKATA OFFICE :

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

BANKERS :

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

WORKS :

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

CONTENTS :

Notice	:	3-4
Directors' Report	:	5-7
Management Discussion & Analysis Report	:	8-9
Report on Corporate Governance	:	10-14
Auditors' Report	:	15-17
Balance Sheet	:	18
Profit & Loss Account	:	19
Cash Flow Statement	:	20
Schedules to Accounts	:	21-33
Balance Sheet Abstract	:	34

Soya Division (Khaitan Agro):

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

Listing of Shares :

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

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



NOTICE

NOTICE is hereby given that the **TWENTY EIGHTH ANNUAL GENERAL MEETING** of **KHAITAN CHEMICALS & FERTILIZERS LIMITED** will be held at the registered office of the Company at A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone, Madhya Pradesh on Friday, 30th day of July, 2010 at 1.00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited statement of accounts for the year ended 31st March, 2010 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 2010.
3. To appoint a director in place of Dr. P. Goyal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. **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 Special 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 Banks, as may be required, the Company hereby approves the 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 period of three years w.e.f. 01.04.2009 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-451 569 (M.P.)
Dated : May 14, 2010

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 be received at the Company's Registered Office at least 48 hours prior the meeting.**
2. Member(s)/Proxies are requested to bring the attendance slip annexed herewith, duly filled in, for attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd July, 2010 to 30th July, 2010, both days inclusive.
4. Members are requested to notify to the Company

immediately, quoting Registered Folio No., change in their address, if any, with the pin code number.

5. Non-resident members are requested to immediately notify: - (i) change in their residential status on return to India for permanent settlement; and (ii) particulars of NRE account, if not furnished earlier.
6. Members who are holding shares in identical names in more than one folios, are requested to write to the Company/Ankit Consultancy Pvt. Ltd., the Registrar and share transfer agent, to consolidate their holding in one folio.
7. Shareholders who are still holding physical share certificate are advised to dematerialise their shareholding to avail benefit of dematerialisation.
8. The Company has transferred all unpaid/unclaimed equity dividends up to the financial year 2002-03 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. Profiles of directors being re-appointed, as required under Clause 49 of the Listing Agreement, are annexed hereto and form part of the Notice.
11. 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. 5

Shri Shailesh Khaitan was re-appointed as Managing Director in 28th Annual General Meeting of the Company w.e.f. April 25th 2007 for a period of 5 years. However, due to stringent business conditions, Shri Shailesh Khaitan voluntary agreed for lower remuneration w.e.f. 01.04.2009.

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 14th May, 2010 has therefore revised the term of appointment of Shri Shailesh Khaitan as Chairman & Managing Director of the Company subject to the approval of members and shareholders of the Company in ensuing annual general meeting for a period of three years w.e.f. 01.04.2009, at the remuneration, in accordance with the norms laid down in Schedule XIII and other applicable provisions of the Companies Act, 1956.

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

Remuneration, benefits and perquisites:

i. Salary:

Rs. 4,00,000/- (Rupees Four lacs) per month, with an annual increment of Rs. 40,000/- per month. Salary will be subject to the deduction of Income tax at the applicable rates, under the Income Tax Act, 1961.



KHAITAN CHEMICALS & FERTILIZERS LIMITED

ii. Contribution to Provident Fund:

Company's contribution towards Provident Fund subject to a ceiling of 12% of the salary.

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.

iii. 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.

iv. Perquisites

a) Housing:

- (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 provided to him will be valued as per Income Tax Rules, 1962, subject to a ceiling of 10% of the salary.

b) Medical Reimbursement:

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

c) Leave and Leave Travel Concession:

Leave Travel Concession for self and family, subject to the ceiling of one month's salary.
Earned privilege leaves on full pay and allowance as per the rules of the Company subject to the condition that leave accumulated but not availed of shall not be allowed to be encashed.

d) Club Fees:

Shri Shailesh Khaitan shall be entitled to the

reimbursement of fees of any two clubs in India. This will not include admission and life membership fee.

e) Personal Accident Insurance:

The Company shall pay an annual premium of a sum not exceeding Rs. 20000/- towards personal accident insurance policy of Shri Shailesh Khaitan.

f) Car & Telephone:

- (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.

v) Limits on Remuneration:

The remuneration as specified in clauses above shall be subject to the overall limits as specified under sections 198, 269, 309 and other applicable provisions read with Schedule XIII of the Companies Act, 1956.

vi) Minimum Remuneration:

In the event of the Company incurring a loss or having inadequate profits in any financial year, the remuneration, perquisites, benefits, allowances and amenities payable to Shri Shailesh Khaitan shall be in accordance with the Para B, section II, Part II of Schedule XIII of the Companies Act, 1956 as amended from time to time.

vii) Sitting Fees:

Shri Shailesh Khaitan shall not be paid sitting fees for attending the meetings of the Board of Directors of the Company. Shri Shailesh Khaitan is not liable to retire by rotation during his tenure as Chairman & Managing Director.

None of the Directors other than 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 as a special resolution for your approval.

Registered Office:
A. B. Road, Village-Nimrani,
Dist. Khargone - 451 569 (M.P.)
Dated : May 14, 2010

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	Dr. P. Goyal	Shri Shailesh Khaitan
Age	66 years	54 years
Qualification	BSc Tech. (Chemicals Engineering) and Ph.D in Chemical Engineering	B. Com (Hons.)
Date of Appointment	16 th July, 1999	1 st September, 1984
Expertise	Excellent General Management Skills & Vast Project Consulting Experience.	Industrialist
Other Directorships (excluding Pvt. Companies) as on 31 st March, 2010	Nil	1. Shradha Projects Ltd. 2. Tribhuvan Properties Ltd.
Chairman / Member of the Committees as on 31 st March, 2010	Khaitan Chemicals & Fertilizers Ltd. Member : 1. Audit Committee 2. Shareholder's/ Investor's Grievance Committee	Nil

KHAITAN CHEMICALS & FERTILIZERS LIMITED



DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 28th annual report of the Company and audited statement of accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

The financial performance of the Company for the year ended March 31, 2010 is summarised below:

(Rs. in lacs)

	2009-2010	2008-2009
Profit before interest and depreciation	876.88	4481.66
Less: Interest & financial expenses	101.63	1963.59
Cash profit before tax	775.25	2518.07
Less: Depreciation	702.86	683.77
Misc. expenses written off	0.56	1.35
Prior period adjustments	35.02	202.94
Profit before taxation	36.81	1630.01
Less: Provision for taxation (incl. FBT and deferred tax)	(61.19)	561.04
Short provision for taxation - earlier years	17.32	42.26
Profit after taxation	80.68	1026.71
Add: Transfer from Capital Subsidy	2.83	2.09
Net Profit	83.51	1028.80
Add: Profit brought forward from previous year	2309.27	1584.72
Amount available for appropriations	2392.78	2613.52
Less: Transfer to-		
General reserve	100.00	100.00
Proposed dividend	116.39	174.58
Corporate tax on dividend	19.78	29.67
Balance carried forward to Balance Sheet	2156.61	2309.27

REVIEW OF OPERATIONS

Fertilizer & Chemicals Division:

The year 2009 began with falling prices of Rock Phosphate, which resulted in low subsidy on inventory. Clubbed with under recoveries, the falling prices caused operating losses in the first half.

From 1st October, 2009, the subsidy policy was changed and an 'ad hoc fixed subsidy' alongwith free MRP were made applicable only for SSP fertilizer. This made SSP costlier in relation to other phosphatic fertilizers.

However, finally and thankfully, the Government of India has now implemented the 'Nutrient Based Subsidy Policy' (NBS) for 'P' & 'K' Fertilizer w.e.f. 01.04.2010. Even though the NBS policy was announced in February, 2010, and made effective for all the Fertilizers excepting SSP on 4.03.2010, it was made applicable on Single Super Phosphate only from 01.05.2010 after a considerable delay. This has resulted in low sales volume during last quarter of the year. Further, in the implementation of 'NBS' policy, increased MRP has been allowed to all the other fertilizers, while in case of SSP, MRP has come down by 20-25%.

During the year 2009-10, the Company has produced 3,32,543 MT (previous year: 2,26,000 MT) Single Super Phosphate and sold 2,44,520 MT (previous year: 2,20,259 MT)

With the strengthening of Indian Rupee, the Company has gained Rs.774.21 lacs on account of foreign exchange

fluctuations as compared to loss of Rs.794.79 lacs in the previous year 2008-09.

The NBS policy has offered the SSP Industry a near level playing field, but challenges remain with undue favour to other Phosphatic fertilizers, however the Company is determined to perform better in the following year.

Soya Division:

In view of total speculative behavior in the market, leading to lack of upfront crushing margin during the year and virtually no significant business activities have taken place. The situation was unprecedented in the history, which resulted in piling up of inventory of Oilseeds (Rapeseed/Muster Seed/Soybean) with farmers/traders. The price of Soybean had steeply reduced to Rs. 20390/- per ton on 31.03.2010 from Rs. 24260/- per ton on 02.12.2009.

The cautious approach opted by the Management, had proved to be a right decision.

DIVIDEND

The Board of Directors is pleased to recommend dividend of Rs.1.20 per share as compared to Rs.1.80 per share paid in the previous year.

PROJECT & FINANCE

The Company has taken manufacturing facilities of Single Super Phosphate on toll basis, in Rajasthan, for 5 years commencing from 2010-11. The same is being financed with internal accruals.



KHAITAN CHEMICALS & FERTILIZERS LIMITED

The project for manufacturing of Single Super Phosphate at Dahej, Gujarat is awaiting statutory environmental clearance to start further.

FIXED DEPOSITS

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

AUDITORS & AUDIT REPORT

M/s. S. S. Kothari Mehta & Co., Chartered Accountants, New Delhi, Statutory Auditors of the Company retires at the conclusion of ensuing annual general meeting and being eligible, offer themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment as Statutory Auditors of the Company, if made, would be within the limit prescribed u/s 224 (1) of the Companies Act, 1956 and also received peer review certificate issued by the ICAI 'Peer Review Board', as required under Clause 49 of listing agreement.

Regarding qualification remark under para vi of the Auditors' Report, the Management is of the view that there is no material liability in case of gratuity & leave encashment. All other notes on accounts referred to and the Auditors' Report are self-explanatory and therefore do not call for any explanatory note.

COST AUDIT

The Board of Directors, in pursuance of an order under section 233B of the Companies Act, 1956, issued by the Central Government, has appointed M/s. M. P. Turakhia & Associates, Cost Accountants, Indore as Cost Auditors to conduct audit of the cost accounts maintained by the Company in respect of Fertilizer and Sulphuric Acid products for the financial year 2010-2011.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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

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

FOREIGN EXCHANGE EARNING AND OUTGO

The Company has earned Rs. NIL on export of goods (Previous year Rs. NIL) and incurred Rs. 10151.76 lacs (Previous year Rs. 3760.52 lacs) on import of Raw Materials, Fees & Subscription and Interest on Foreign Currency Loan.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the articles of association of the Company, Dr. P. Goyal, the director of the Company is due to retire at forthcoming annual general meeting, and being eligible, has offered himself for re-appointment.

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

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies (Amendment) Act, 2000, your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as the 31st March, 2010 and of the Profit of the Company for that period;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report forming part of Directors' Report for the year under review, in accordance with Clause 49 of the listing agreement with stock exchanges, is given in **Annexure - B**.

CORPORATE GOVERNANCE

The 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

Shares of the Company are listed on Bombay Stock Exchange (BSE), which provides wider access to the investor nationwide.

The Company has made all the compliances of Listing Agreement including payment of annual listing fees up to 31st March, 2010 to the BSE.

PARTICULARS OF EMPLOYEES

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

ACKNOWLEDGEMENT

The Board of Directors, would like to record their sincere appreciation for the support and co-operation that your Company received by the State Bank of India, State Bank of Indore, IDBI Bank Ltd., various departments/ agencies of Central/State Govt., members, customers, suppliers, employees and other business associates of the Company

For and on behalf of the Board

Place: New Delhi
Dated: 14.05.2010

(SHAILESH KHAITAN)
CHAIRMAN & MANAGING DIRECTOR

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Annexure - 'A'

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

A) POWER & FUEL CONSUMPTION:

	Current Year	Previous Year
1. Electricity:		
a) Purchased Units	8755599	8999815
Total amount (Rs. in Lacs)	546.58	465.45
Rate/Unit (Rs.)	6.24	5.17
b) Own generation:		
i. Through diesel generator Units	60778	31534
Total amount (Rs. in Lacs)	8.92	4.17
Rate/Unit (Rs.)	14.70	13.22
ii. Through steam turbine Units *	7505335	4299995
Total amount	-	-
(* Net of Self Consumption in TG)		
2. Coal:		
Quantity (In MT)	1341	5014
Total Cost (Rs. in Lacs)	55.72	222.11
Rate/Unit (MT) (Rs.)	4155.11	4429.75
3. Furnace oil:		
Quantity (K. Lts.)	819	402
Total Amount (Rs. in lacs)	206.99	93.53
Average Rate /Lt.	25.32	23.27

B. CONSUMPTION PER UNIT OF PRODUCTION:

Item	Product	Current Year	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	27	25
	S.A./Oleum/Liquid So3	62	61
	Soya Oil/Doc	62	45
Coal (KG/MT)	Soya Oil/Doc/Power	75	79

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	54/30	01-09-84	39.62 lacs	Managing Director, M/s. Majestic Packaging (P) Ltd. Kolkata.

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



KHAITAN CHEMICALS & FERTILIZERS LIMITED

Annexure - 'B'

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

CAUTIONARY STATEMENT

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

BUSINESS OVERVIEW:

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

SEGMENT-WISE BUSINESS REVIEW AND OPERATIONAL AND FINANCIAL PERFORMANCE:

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

(Quantity in MT)

Particular	2009-10	2008-09	2007-08	2006-07	2005-06
Production:					
SSP	332543	226000	175450	327308	299739
Sulphuric Acid	94895	62423	82678	137056	167971
Oleum/Liquid So3	4508	4659	5511	4945	5938
Seed Crushing	12135	51395	133575	149493	70501
Refined Oil	5485	11895	19637	23478	12778
Sales:					
SSP	244520	220259	222065	307776	294834
Sulphuric Acid	45941	35668	49374	53143	89648
Soya Oil	5345	12284	25361	24479	13141
De-oiled Cake	9964	46143	111539	125365	58467

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

(Rs. In Lacs)

Particular	2009-10	2008-09	2007-08	2006-07	2005-06
Sales:					
Fertilizer & Chemicals	15595.54	21459.32	12948.49	14395.29	13969.68
Soya	4690.44	13630.90	26685.63	23042.78	10590.82
PBIDT:					
Fertilizer & Chemicals	1086.84	4240.29	1784.39	994.56	1603.53
Soya	(210.53)	87.07	977.39	1801.12	592.71
EPS (Rs.):	0.86	10.61	9.31	9.54	9.23
DIVIDEND:	12%	18%	18%	18%	18%

Fertilizer & Chemicals Division:

The year 2009 began with falling prices of Rock Phosphate, which resulted in low subsidy on inventory clubbed with under recoveries, it caused operating losses in the first half. From 1st October, 2009, the subsidy policy was changed and an 'ad hoc fixed subsidy' alongwith free MRP were made applicable only for SSP fertilizer. This made SSP costlier in relation to other phosphatic fertilizers.

However, finally and thankfully, the Government of India has now implemented the 'Nutrient Based Subsidy Policy' (NBS) for 'P' & 'K' Fertilizer w.e.f. 01.04.2010. Even though the NBS policy was announced in February, 2010, and made effective for all the Fertilizers excepting SSP on 4.03.2010, it was made applicable on Single Super Phosphate only from 01.05.2010 after a considerable delay. This has resulted in

low sales volume during last quarter of the year. Further, in the implementation of 'NBS' policy, increased MRP has been allowed to all the other fertilizers, while in case of SSP, MRP has come down by 20-25%.

During the year 2009-10, the Company has produced 3,32,543 MT (previous year: 2,26,000 MT) Single Super Phosphate and sold 2,44,520 MT (previous year 2,20,259 MT).

With the strengthening of Indian Rupee, the Company has gained Rs.774.21 lacs on account of foreign exchange fluctuations as compared to a loss of Rs.794.79 lacs in the previous year 2008-09.

Despite of all the challenges and relative disadvantage as compared to other Phosphatic Fertilizers, NBS Policy has come with a healthier near level playing field and, the Company is determined to perform well in the next year.

During the year the Company has received "PRODUCTIVITY AWARD" from 'THE FERTILIZER ASSOCIATION OF INDIA' for its NIMBAHERA Plant.

Soya Division:

In view of total speculative behavior in the market, leading to lack of upfront crushing margin during the year, virtually no significant business activity has taken place. The situation was unprecedented in history, which resulted in piling up of inventory of Oilseeds (Rapeseed/Muster Seed/Soybean) with farmers/traders. The price of Soybean steeply reduced to Rs. 20390/- per ton on 31.03.2010 from Rs. 24260/- per ton on 02.12.2009. The cautious approach opted by the Management, had proved to be a right decision.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Fertilizer & Chemicals Division

India, being an agrarian society, has always regarded Agriculture as the backbone of her economy. Agriculture is one of the strongholds of the Indian economy and accounts for 25 percent of the country's gross domestic product (GDP). As a result, Indian fertilizer industry has tremendous scope in and outside the country, as it is one of the allied parts of agriculture.

Indian Fertilizer industry is one of the vital industries for the Indian economy, since it manufactures a very critical input for agriculture. The fertilizer industry in India has performed a vital role in enabling the required increase in the use of plant nutrients for achieving the objectives of self-sufficiency in food grains production and accelerated and continuous agricultural growth. Indian Fertilizer sector is highly dependent on either import of raw material and finished goods and therefore has a challenge to manage volatility of international market and exchange fluctuation.

India is the second largest consumer of fertilizer in the world next to China. Demand for fertilizer will keep on increasing in future to ensure food security of the country. To meet increasing demand future policies should encourage domestic capacity of fertilizer, as international prices are volatile. Currently, fertilizer industry operates under stringent regulations. However from April, 2010 onwards the Government has implemented 'Nutrient Based Subsidy' Policy for 'P' & 'K' fertilizer with market driven selling prices. This policy should bring some free space for industry for efficient operations and will be boost to SSP industry.

Soya Division

Soybean is one of the largest oil seed crop in the world. It is



KHAITAN CHEMICALS & FERTILIZERS LIMITED

Annexure - 'C'

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

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

2. BOARD OF DIRECTORS:

COMPOSITION, MEETINGS AND ATTENDANCE:

The present strength of the Board of Directors is four. Out of four directors, three directors are Non Executive and independent and Mr. Shailesh Khaitan, an executive promoter Director, is the Chairman & Managing Director of the Company. The Composition of the Board of Directors meets the stipulated requirement.

The Board's composition and categories as on 31st March 2010, and the attendance of each director at Board meetings and the last Annual General Meeting (AGM) are as under:

Name of Director	Category	No. of Directorship in other Cos. (excluding Pvt. Cos.)	No. of Board Committee Memberships in other Cos.	No. of Board Committee for which Chairperson	No. of Board Meetings attended	Whether attended last AGM
Shri Shailesh Khaitan	Promoter, Executive	3	1	NIL	Four	Yes
Shri J. L. Jajoo	Independent, Non-Executive	NIL	NIL	NIL	Four	Yes
Shri O. P. Bagla	Independent, Non-Executive	NIL	NIL	2	Four	Yes
Dr. P. Goyal	Independent, Non-Executive	NIL	NIL	NIL	Four	Yes

During the financial year ended on 31st March, 2010. Four Board Meetings were held on 16th May, 2009, 31st July, 2009, 31st October, 2009 and 30th January, 2010.

The Company's last Annual General Meeting (AGM) was held on 31st July, 2009.

3. BOARD COMMITTEES :

A. AUDIT COMMITTEE:

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

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

The Audit Committee consisted of the following members as on 31st March, 2010:

S. No.	Name of Members	Status	No. of Meetings Attended
1.	Shri O. P. Bagla	Chairman	4
2.	Shri J. L. Jajoo	Member	4
3.	Dr. P. Goyal	Member	4

During the year, four meetings of Audit Committee were held on 16th May, 2009, 31st July, 2009, 30th October, 2009 and 30th January, 2010.

(b) **Quorum:** Two independent members.

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

B. REMUNERATION COMMITTEE

No Remuneration committee has been constituted by the Board of Directors of the Company.

Details of remuneration paid to Executive Director for the financial year 2009-10.

(Rs. In lacs)

Name	Designation	Salary	Commission	Perks & Allowances	Total	Tenure
Shri Shailesh Khaitan	Chairman & Managing Director	24.00	NIL	15.62	39.62	3 years