



KHAITAN CHEMICALS & FERTILIZERS LIMITED



29TH ANNUAL REPORT 2010-2011

KHAITAN CHEMICALS & FERTILIZERS LIMITED

<p>ANNUAL GENERAL MEETING:</p> <p>Date : 29, July, 2011 Day : Friday Time : 1.00 P.M. Place : Registered Office</p>	<p>BOARD OF DIRECTORS:</p> <p>Shailesh Khaitan : Chairman & Managing Director J. L. Jajoo : Director O. P. Bagla : Director Dr. P. Goyal : Director Vijay Gupta : Additional Director (w.e.f. 18.05.11)</p>																				
<p>REGISTERED OFFICE:</p> <p>A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone -451569 (M.P.)</p>	<p>PRESIDENT & SECRETARY:</p> <p>R. S. Vijayvargiya</p>																				
<p>INDORE OFFICE:</p> <p>301-308, Apollo Arcade, 1/2, Old Palasia, Indore -452018 (M.P.)</p>	<p>AUDITORS:</p> <p>M/s. S. S. Kothari Mehta & Co. 146-149, Tribhuvan Complex, Ishwar Nagar, Mathura Road, New Delhi-110065</p>																				
<p>DELHI OFFICE:</p> <p>201, Skipper House, 62-63, Nehru Place, New Delhi-110019</p>	<p>KOLKATA OFFICE:</p> <p>46-C, Rafi Ahmed Kidwai Road, 3rd Floor, Kolkata-700 016</p>																				
<p>WORKS :</p> <p>Fertilizers & Chemical Division:</p> <ol style="list-style-type: none"> 1). A.B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone -451569 (M.P.) 2). Village Goramachia, Kanpur Road, Jhansi -248001 (U.P.) 3). Village Dhinva, Tehsil Nimbahera Dist. Chittorgarh -312601 (Rajasthan) 4). A-1, UPSIDC Industrial Area, Malwan, Dist. Fatehpur-212664 (U.P.) 5). Village Farhad (Somni), Dist. Rajnandgaon - 491443(Chattisgarh) <p>Processing facility at Arihant Phosphate & Fertilizers Ltd.</p> <ol style="list-style-type: none"> 6). Village Sagwadia, Tehsil Nimbaheda, Dist. Chittorgarh - 312601 Rajasthan <p>Soya Division: Dosigaon Industrial Area, Ratlam - 457001 (M.P.)</p>	<p>SOLICITORS:</p> <p>M/s. Khaitan & Partners Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-110001</p> <p>BANKERS:</p> <p>State Bank of India, IDBI Bank Ltd. Corporation Bank HDFC Bank Ltd.</p> <p>CONTENTS:</p> <table style="width: 100%; border: none;"> <tr><td>Notice</td><td style="text-align: right;">: 3-4</td></tr> <tr><td>Directors' Report</td><td style="text-align: right;">: 5-7</td></tr> <tr><td>Management Discussion & Analysis Report</td><td style="text-align: right;">: 8-9</td></tr> <tr><td>Corporate Governance Report</td><td style="text-align: right;">: 10-14</td></tr> <tr><td>Auditor's Report</td><td style="text-align: right;">: 15-17</td></tr> <tr><td>Balance Sheet</td><td style="text-align: right;">: 18</td></tr> <tr><td>Profit & Loss Account</td><td style="text-align: right;">: 19</td></tr> <tr><td>Cash Flow Statement</td><td style="text-align: right;">: 20</td></tr> <tr><td>Schedules to Accounts</td><td style="text-align: right;">: 21-33</td></tr> <tr><td>Balance Sheet Abstract</td><td style="text-align: right;">: 34</td></tr> </table> <p>Listing of Shares:</p> <p>The Bombay Stock Exchange Ltd., Mumbai (B.S.E.) Stock Code: 507794 ISIN No.: INE745B01010 (NSDL & CDSL)</p>	Notice	: 3-4	Directors' Report	: 5-7	Management Discussion & Analysis Report	: 8-9	Corporate Governance Report	: 10-14	Auditor's Report	: 15-17	Balance Sheet	: 18	Profit & Loss Account	: 19	Cash Flow Statement	: 20	Schedules to Accounts	: 21-33	Balance Sheet Abstract	: 34
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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.

NOTICE

NOTICE is hereby given that the **TWENTY NINTH 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, 29th day of July, 2011** 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, 2011 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 2011.
3. To appoint a director in place of Mr. J.L.Jajoo, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

Sub-division of shares and alteration of the Memorandum of Association:

"RESOLVED THAT pursuant to the provisions of Article of Association of the Company and Section 94 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, and subject to such conditions as may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall also include any committees thereof) consent of the Members of the Company be and is hereby accorded for sub-dividing the equity shares of the Company, including the paidup shares, such that each existing 1 Equity Share of the Company of face value of Rs 10/- (Rupee ten) each be sub-divided into 10 Equity Shares of the face value of Rs. 1/- (Rupee One) each and that consequent to the sub-division of the Equity Shares of the Company becoming effective, the Authorised Share Capital of the Company of Rs. 22,00,00,000 (Rupees Twenty Two Crores only) would comprise of 22,00,00,000 (Twenty Two Crores) Equity Shares of Rs. 1/- each and therefore consequent to the sub-division of the Equity Shares of the Company becoming effective, the existing Clause V of the Memorandum of Association of the Company relating to share capital be and is hereby altered by deleting the same and substituting in place thereof, the following as new Clause V:

- V. The Authorised Share Capital of the Company is Rs. 22,00,00,000/- (Rupees Twenty Two Crores only) divided into 22,00,00,000 (Twenty Two Crores) Equity Shares of Rs. 1/-(Rupee One only) each, with power to classify or reclassify, increase or reduce the capital from time to time in accordance with the regulations of the Company and the legislative provisions for the time being in force in this behalf and with the power to divide the share capital for the time being into several classes and to attach thereto respectively any preferential, qualified or special right, privileges or conditions including as to voting and to vary, modify or abrogate the same in such manner as may be permitted by the Act or as may for the time being be provided for by these presents and the Articles of Association of the Company."

"RESOLVED FURTHER THAT pursuant to the sub division of the equity shares of the Company, the issued, subscribed and paid up equity shares of face value Rs. 10/- (Rupees Ten) each, shall stand sub-divided into equity shares of face value of Rs. 1/- (Rupee One) each, fully paid-up."

"RESOLVED FURTHER THAT the existing share certificate(s) in relation to the equity share capital held in physical form be cancelled and new share certificate(s) of face value of Rs. 1/- (Rupees one) each be issued in exchange/place of the old share certificate(s) of face value Rs. 10/- (Rupees Ten) each, in respect of the equity shares held by the members of the Company

consequent upon the sub-division of equity shares as aforesaid and in case of shares held in the dematerialized form, the sub-divided equity shares be credited to the respective demat accounts of the beneficiaries in lieu of the existing shares held by them as on the record date fixed for the purpose."

"RESOLVED FURTHER THAT the any of the Directors of the Company and/or any person(s) authorised by any of the Directors of the Company be and is/are hereby authorised to do, perform and execute all such acts, deeds matters and things as it may consider necessary, expedient, usual or proper to give effect to this resolution including but not limited to fixing of the record date as per the requirement of the Listing Agreement, execution of all necessary documents with the Stock Exchange and the Depositories, Reserve Bank of India and/or any other relevant statutory authority, if any, cancellation or rectification of the existing physical share certificates in lieu of the old certificates and to settle any question or difficulty that may arise with regard to the sub-division of the equity shares as aforesaid or for any matters connected herewith or incidental hereto."

6. To consider and if thought fit, to pass with or without modification(s) the following Resolution as Special Resolution:

Alteration of the Articles of Association:

"RESOLVED THAT consequent to the sub-division of the Equity Shares of the Company becoming effective as stated at Item No. 5 of this Notice and in pursuance to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Clause 3 of the Article of Association of the Company be and hereby altered by deleting the same and substituting in place thereof, the following as new Clause 3:

3. The Authorised Share Capital of the Company shall be of such amount and description as is stated for the time being in Clause V of the Memorandum of Association of the Company."

7. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of section 257 of the Companies Act, 1956 and other applicable provisions if any, Shri Vijay Gupta, be and is hereby appointed as a director of the Company and liable to retire by rotation".

Registered Office: By Order of the Board
A. B. Road, Village-Nimrani, S/d
Dist. Khargone (M.P.) (R. S. Vijayvargiya)
Date: May 18, 2011 President & Secretary

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself and such proxy need not be a member of the Company. Proxy Form must be received at the Company's Registered Office at least 48 hours prior the meeting.
2. The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued a circular on April 21, 2011 stating that the service of document by a company can be made through electronic mode. Members are requested to registered their e-mail address with the Company for sending the notice, annual report, and other documents through e-mail. We are sure you would appreciate the "Green Initiative" taken by MCA and your company's desire to participate in such initiatives.
3. Member(s)/Proxies are requested to bring the attendance slip annexed herewith, duly filled in, for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 22 July, 2011 to 29 July, 2011,



KHAITAN CHEMICALS & FERTILIZERS LIMITED

both days inclusive for the purpose of payment of dividend, if declared at the Annual General Meeting.

5. Members are requested to notify to the Company immediately, quoting Registered Folio No., change in their address, if any, with the pin code number.
6. 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.
7. Members who are holding shares in identical names in more than one folio, are requested to write to the Company/Ankit Consultancy Pvt. Ltd., the Registrar and share transfer agent, to consolidate their holding in one folio.
8. Shareholders who are still holding physical share certificate are advised to dematerialise their shareholding to avail benefit of dematerialisation.
9. 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.
10. 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.
11. Profiles of directors being re-appointed, as required under Clause 49 of the Listing Agreement, are annexed hereto and form part of the Notice.
12. 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 and 6:

The Equity shares of the Company are listed and are actively traded on the Bombay Stock Exchange Limited (BSE). The market price of the Company has witnessed significant growth over the past few years and the shares are presently quoted in the range of around Rs. 130/- to 140/- per share of Rs. 10/- each.

The Board is considering to split/sub-divide the face value of its shares from Rs.10 per share to a lower face value to make them more affordable and to increase liquidity. In view of this, the Board of Directors of the Company ('the Board') at their meeting held on 18th May, 2011, considered it desirable to sub-divide the nominal value of

the equity share capital of the Company from Rs. 10/- (Rupees Ten) per share to Rs. 1/- per share as proposed in the resolution.

Consequent to the sub-division of the shares, the Capital Clause V in the Memorandum of Association and Clause 3 of the Articles of Association of the Company are required to be altered by the amending Clause V and Clause 3 respectively as detailed in the resolutions.

As per provisions of section 94 of the Companies Act, 1956, a Company may after obtaining the approval of Members by way of Ordinary Resolution alter its share capital by sub-dividing the shares and consequent alteration of relevant capital clauses of Memorandum and Articles of Association of the Company are also approved by the Members by way of Ordinary Resolution and Special Resolution respectively. After the resolutions have been adopted by the Members, the Company will fix a record date for splitting the share certificate. Upon approval of the members for sub-division of shares are held in physical, the old share certificates of face value of Rs. 10/- each will be cancelled on the record date and new share certificates of face value Rs. 1/- each will be issued in place of the old share certificate. In case the shares are in dematerialized form on the record date, the sub divided shares of Rs. 1/- each will be directly credited to the Members demat account in lieu of their existing shares of Rs. 10 each. A Copy of the Memorandum & Article of Association of the Company showing proposed alteration is available for inspection at the Registered Office of the Company on any working day between 11.00 A.M. to 1.00 P.M. till 29.07.2011. None of the Directors of the Company is interested in the resolutions except to the extent of their respective Shareholdings in the Company.

ITEM No. 7:

Shri Vijay Gupta was appointed as an Additional Director at the meeting of Board of Directors held on May 18, 2011. He hold office up to date of ensuing Annual General Meeting. Shri Vijay Gupta is the Businessman and he is having rich & vast experience in the field of Trade/Marketing. The Company would benefit by his appointment.

Notice as required under section 257 of the Companies Act, 1956 together with the requisite deposit has been received from a member proposing the appointment of Shri Vijay Gupta as Director of the Company. Your Directors recommend the resolution for approval. None of the Directors of the Company except Shri Vijay Gupta is concerned or interested in the resolution relating to appointment.

Registered Office:
A. B. Road, Village-Nimrani,
Dist. Khargone (M.P.)
Date: May 18, 2011

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

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

Name of Director	Shri J.L. Jajoo	Shri Vijay Gupta
Age	68 years	54 years
Qualification	Chartered Accountant	Businessman
Date of Appointment	1 st January, 1991	18 th May, 2011
Expertise	Rich and vast experience in the field of Management and finance.	Rich & vast experience in the field of Trade/Marketing.
Other Directorships (excluding Pvt. Companies) as on 31 st March, 2011	Nil	Nil
Chairman / Member of the Committees as on 31 st March, 2011	Members in Audit Committee, Shareholders'/Investors' Grievance Committee & Remuneration Committee: Khaitan Chemicals & Fertilizers Ltd.	Nil



DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 29th annual report of the Company and audited statement of accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

The financial performance of the Company for the year ended 31st March, 2011 is summarised below:

(Rs. in lacs)

	2010-2011	2009-2010
Profit before interest and depreciation	7141.41	876.88
Less: Interest & financial expenses	1635.00	101.63
Cash profit before tax	5506.41	775.25
Less: Depreciation	666.16	702.86
Misc. expenses written off	-	0.56
Prior period adjustments	190.57	35.02
Profit before taxation	4649.68	36.81
Less: Provision for taxation (incl. deferred tax)	1499.86	(61.19)
Short provision for taxation—earlier years	7.00	17.32
Profit after taxation	3142.82	80.68
Add: Transfer from Capital Subsidy	2.83	2.83
Net Profit	3145.65	83.51
Add: Profit brought forward from previous year	2156.61	2309.27
Amount available for appropriations	5302.26	2392.78
Less: Transfer to-		
General reserve	1000.00	100.00
Proposed dividend	232.77	116.39
Corporate tax on dividend	37.76	19.78
Balance carried forward to Balance Sheet	4031.73	2156.61

REVIEW OF OPERATIONS

Fertilizer & Chemicals Division:

The introduction of the Nutrient-Based Subsidy (NBS) policy of the Government of India w.e.f. 1st May, 2011 is a welcome step. Pursuant to the NBS Policy, Company expects healthy growth in the demand for fertilizers, especially SSP, complex fertilizers & customized fertilizers, on the back of promotion of a more balanced nutrient consumption. The Single Super Phosphate fertilizer is a generic customized fertilizer containing sulphur, calcium & other micro nutrients besides phosphate.

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

We are confident that in a rational subsidy scheme, the SSP industry shall benefit the most resulting in higher availability of this 'generic customized fertilizer' for Indian farmers at competitive prices with no extra cost to exchequer.

During the year 2010-11, the Company produced 433393 MT (previous year 332543 MT) Single Super Phosphate and sold 451067 MT (previous year 244520 MT) which was highest ever production and sales by the Company.

The Company's net profit (after tax) for the year is Rs. 3145.65 Lacs, which is not only highest but also exceeds the total of last 4 years, despite not so good performance of the Soya Division.

The Company is determined to perform better in the current year and achieve a higher capacity utilization.

Soya Division:

The Company is continuing with its cautious approach while considering speculative fluctuations in the market and negligible upfront crushing margin. The Company is adequately leveraging its position by hedging its inventories to counter the high volatility.

During the year, the Company has crushed 42541 MT (previous year 12135 MT) Soybean seed including 10551 MT (previous year NIL) through Job work basis

DIVIDEND

The Board of Directors is pleased to recommend final dividend of Rs.2.40 per equity share for the year 2010-2011 as compared to Rs.1.20 per equity share paid in the previous year.

CAPITAL RESTRUCTURING

The Board subject to necessary approval and amendment to Memorandum and Article of Association of the Company recommend split of its shares from Rs. 10/- ((Rupees Ten) per share to Rs. 1/- (Rupee one) per share. This will increase the liquidity of the shares in the market.

PROJECTS & FINANCE

The Company has acquired manufacturing facilities of SSP and Sulphuric Acid from M/s Jairam Phosphates Ltd., at Rajnandgaon



KHAITAN CHEMICALS & FERTILIZERS LIMITED

(Chhattisgarh) during the year for production of upto 66,000 TPA of SSP Fertiliser and 49,500 TPA of Sulphuric Acid.

The operations of the plant commenced in March, 2011. The acquisition was funded by a term loan of Rs. 1000 lacs and with internal accruals.

Further, the SSP Project for 2,00,000 TPA at Dahej (Gujarat) has received the much awaited statutory environmental clearance and civil work is being started shortly. The Company expects to start production in the current financial year. The project cost of Rs. 3000-3500 lacs shall be financed through internal accruals and term loans.

The Company had completed erection of LABSA (Linear Alkylbenzene Sulfonic Acid) plant at Nimrani which shall be commissioned shortly. This shall enable utilization of the waste products of the acid plant.

HDFC Bank Limited & Corporation Bank have become part of our banking consortium after merging of State Bank of Indore with State Bank of India.

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

All 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 2011-2012.

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. 85.34 lacs on export of goods (Previous year Rs. NIL) and incurred Rs. 9481.97 lacs (Previous year Rs. 10151.76 lacs) on import of Raw Materials, Capital Goods, Fees & Subscription and Interest on Foreign Currency Loan.

DIRECTORS

Shri Shailesh Khaitan, Chairman & Managing Director has been re-elected on the **Board of Fertilizer Association of India** and is **Chairman of SSP Advisory Committee**. The Board appreciates his efforts and valuable contribution to SSP industry which has brought SSP industry at par with other Fertilizers.

Shri Vijay Gupta was appointed as an additional director of the Company w.e.f 18th May, 2011 and will hold office up to the date of the ensuing Annual General Meeting and being eligible offers himself for re-election. Board greeted the new director.

In accordance with the provisions of the Companies Act, 1956 and the

Articles of Association of the Company, Shri J.L. Jajoo, 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 directors 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, 2008, 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, 2011 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 The Bombay Stock Exchange (BSE), which provides wider access to the investor nationwide.

The Company has made all the compliances of Listing Agreement including payment of annual listing fees up to 31st March, 2011 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 from the State Bank of India, IDBI Bank Limited, Corporation Bank and HDFC Bank Limited, 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
Date: 18.05.2011

(SHAILESH KHAITAN)
CHAIRMAN & MANAGING DIRECTOR

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Annexure - 'A'

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

A) Power & Fuel Consumption:

	Current Year	Previous Year
1. Electricity:		
a) Purchased Units	11120151	8755599
Total amount (Rs. in Lacs)	663.77	546.58
Rate/Unit (Rs.)	5.97	6.24
b) Own generation:		
i. Through diesel generator Units	171736	60778
Total amount (Rs. in Lacs)	21.63	8.92
Rate/Unit (Rs.)	12.59	14.70
ii. Through steam turbine Units *	10977680	7505335
Total amount	-	-
(*Net of Self Consumption in TG)		
2. Coal:		
Quantity (In MT)	2719	1341
Total Cost (Rs. in Lacs)	121.66	55.72
Rate/Unit (MT) (Rs.)	4474.44	4155.11
3. Furnace oil:		
Quantity (K. Lts.)	1326	819
Total Amount (Rs. in lacs)	418.10	206.99
Average Rate /Lt.	31.54	25.32

B. Consumption per Unit of Production:

Item	Product	Current Year	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	29	27
	S.A./Oleum/Liquid So3	63	62
	Soya Oil/Doc	45	62
Coal (KG/MT)	Soya Oil/Doc/Power	71	75

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

Name of Employees/his Qualification/designation	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	55/31	01-09-84	119.30	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.



MANAGEMENT DISCUSSON AND ANALYSIS REPORT

CAUTIONARY STATEMENT

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

BUSINESS OVERVIEW:

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

Segment-wise Business Review and Operational and Financial Performance:

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

(Quantity in MT)

Particular	2010-11	2009-10	2008-09	2007-08	2006-07
Production:					
SSP	433393	332543	226000	175450	327308
Sulphuric Acid	140911	94895	62423	82678	137056
Oleum/Liquid So3	2467	4508	4659	5511	4945
Seed Crushing	42541	12135	51395	133575	149493
Refined Oil	7262	5485	11895	19637	23478
Sales:					
SSP	451067	244520	220259	222065	307776
Sulphuric Acid	48730	45941	35668	49374	53143
Soya Oil	6929	5345	12284	25361	24479
De-Oiled Cake	31178	9964	46143	111539	125365

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

(Rs. In lacs)

Particular	2010-11	2009-10	2008-09	2007-08	2006-07
Sales:					
Fertilizer	35024.27	15595.54	21459.32	12948.49	14395.29
Soya	10735.83	4690.44	13630.90	26685.63	23042.78
PBIOT:					
Fertilizer	6871.80	1086.84	4240.29	1784.39	994.56
Soya	269.61	(210.53)	87.07	977.39	1801.12
EPS(Rs) :	32.43	0.86	10.61	9.31	9.54
DIVIDEND:	24%	12%	18%	18%	18%

FERTILIZER & CHEMICALS DIVISION:

The Company has India's largest Single Super Phosphate (SSP) production capacity of 9,11,000 MT in the states of Madhya Pradesh, Rajasthan, Uttar Pradesh & Chhattisgarh alongwith Sulphuric Acid (SA) production capacity of 2,70,600 MT in the states of Madhya Pradesh, Uttar Pradesh & Chhattisgarh. Sulphuric Acid is also an intermediary raw material for production of SSP.

The Company, being largest producer and seller of SSP in India, has produced 433393 MT SSP (including 34505 MT through Job work basis), and sold 451067 MT SSP.

The Company was awarded the 'Best Production Performance Award' for its Nimbahera plant from 'The Fertilizer Association of India', consecutively for the second year.

Industry Structure and Developments:

India is basically an agriculture based economy and the fertilizer sector is very crucial for the Indian economy. Main features of this industry are-

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

The Government of India has implemented Nutrient Based Subsidy (NBS) Policy for Phosphatic & Potassic Fertilizer w.e.f. April 1, 2010, which will ensure more balanced nutrient consumption.

The Government of India has also declared incentives to new investment in this sector by giving it 'Infrastructure Status' under the Income Tax Act. These new development shall encourage investment in this sector and promote new products.

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

SSP industry is immensely benefited by NBS Policy which shall ultimately ensure availability of SSP fertilizer which is more farmer friendly, environment friendly, and an agronomically preferred fertilizer. Increased use of SSP shall also help in conserving foreign currency, to the extent it will substitute import of finished 'P & K' fertilizers.

SSP is a lowest priced Fertilizer product on a per kg basis, and therefore very much suitable for small and marginal farmers.

Demand of Fertilizer is not likely to be a problem for the SSP industry, however, timely release of subsidy by Government of India, and distribution will be a major concern.

The Company is continuously enjoying its leading position in SSP industry and further expanding its manufacturing capacity by installing of 2,00,000 TPASS plant at Dahej (Gujarat).

Future Outlook:

The Government of India's commitment for the Fertilizer sector is evident from the introduction of a rational NBS Policy, granting Infrastructure Status to the fertilizer sector & Cash payment of Subsidy (instead of Bonds). This will encourage investment in the sector and shall work towards replacing the import of finished fertilizer products. We expect that the demand for fertilizers will increase gradually consistent with the increased focus on improving crop productivity and with modernization and revival of agricultural sector.

The performance of the Company is expected to be better in coming years considering its basic strengths like high integrated capacity which is already operational, multi-geographical locations and established brands.

Opportunity, Threats, Risk & Concerns:

NBS Policy has thrown open a lot of opportunities for the SSP industry with a stable and level playing field for all Phosphatic Fertilizers. The Company is in an advantageous position for tapping its already established capacity with multi-geographical locations and established brands.

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

Delay in subsidy payment, uncertainty of monsoon and volatile International market of Raw Material, seasonal consumption of fertilizer (2 months/year) clubbed with logistics availability/ cost and



higher requirement of working capital shall remain concerns for the Industry/Company.

SOYA DIVISION

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

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

During the year, the Company has crushed 42541 MT (previous year 12135 MT) Soybean seed including 10551 MT (previous year NIL) through Job work basis

Industry Structure and Developments:

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

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

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

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

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

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

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

Future Outlook:

In India, the crushing capacity of Soybean is much higher than availability of raw material.

In spite of higher capacity, the efficient processing capacity in good locations like ours shall perform reasonably well with higher soybean crop due to increase in yield. Eventually on expiry of incentive period accorded to new entrants existing players like us will have a competitive edge in a level playing field.

Opportunity, Threats, Risk & Concerns:

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

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

The Indian consumption of soy meal/DOC is bound to increase and therefore Indian soy meal need not to compete in International market which produce and sell their surplus soybean with hefty State subsidies to agriculture

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

We are continuously repositioning ourselves according to changing market scenario and strengthening our competitive position.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

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

In addition to external audit, the Company has appointed M/s Krishan Rakesh & Co., Chartered Accountants, as an internal auditor, who report significant findings to the Audit Committee of the Board. Consequently adequate steps are taken to improve the operations.

HUMAN RESOURCE AND INDUSTRIAL RELATIONS:

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

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

ENVIRONMENT AND SAFETY:

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

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

To address the concerns on Environment Protection, concrete efforts were made towards natural resource conservation. For example, a Sewage Treatment Plant was commissioned at Nimrani Plant. The treated and collected water is currently used for general non drinking uses like cleaning toilets and gardening.

During the year, the company was awarded consecutively for the second year with 'Environmental Protection Award' for its Nimbahera plant by 'The Fertilizer Association of India' and the Company was also awarded by Madhya Pradesh government with 'Environmental Protection Award' for its Nimrani Plant.

During the year, the company was also awarded with 'National Safety Council Award- Manufacturing Sector' for its Nimrani plant by the 'National Safety Council of India'.

CONCLUSION:

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



Annexure - 'C'

REPORT ON CORPORATE GOVERNANCE

1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's Philosophy on Corporate Governance envisages the attainment of high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally, including the inter-action with employees, 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 the four directors, three directors are Non -Executive and independent and Shri 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 March 31, 2011, and the attendance of each director at Board meetings and the last Annual General Meeting (AGM) are as under:

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

During the financial year ended on March 31, 2011. Eight Board Meetings were held on May 3, 2010, May 14, 2010, July 30, 2010, September 30, 2010, October 29, 2010, January 13, 2011, January 31, 2011 and March 12, 2011.

The Company's last Annual General Meeting (AGM) was held on 30th July, 2010.

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 March 31, 2011:

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	3

During the financial year ended March 31, 2011, four meetings of Audit Committee were held on May 14, 2010, July 30, 2010, October 29, 2010 and January 31, 2011.

(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

The Remuneration Committee was constituted in the meeting of Board of Directors held on 3rd May, 2010 in conformity with the requirements of Clause 49 of the Listing Agreement as well as Schedule XIII of the Companies Act, 1956. The terms of reference of Remuneration Committee include deciding Company's policies on specific remuneration packages for all the directors and designing and implementation of performance appraisal systems and discretionary performance bonus payments for them and such other functions as may be delegated to it by the Board of Directors.

The Remuneration Committee comprises three non-executive directors as members, viz., Shri O.P. Bagla, Shri J.L. Jajoo & Dr. P. Goyal and Shri R.S. Vijayvargiya, President & Secretary of the Company also acts as the Secretary to the Committee. Shri O.P. Bagla is the Chairman of the Committee. One meeting was held on during the financial year 2010-2011.

Shri O.P. Bagla, Shri J.L. Jajoo & Dr. P. Goyal and Shri R.S. Vijayvargiya, President & Secretary were present in the meeting.