



# KHAITAN CHEMICALS & FERTILIZERS LIMITED



30<sup>th</sup> Annual Report 2011-2012

# KHAITAN CHEMICALS & FERTILIZERS LIMITED



<b>ANNUAL GENERAL MEETING:</b>	<b>BOARD OF DIRECTORS:</b>
Date : 3 <sup>rd</sup> August, 2012 Day : Friday Time : 1.00 P.M. Place : Registered Office	Shailesh Khaitan : Chairman & Managing Director J. L. Jajoo : Whole Time Director O.P. Bagla : Director (Resigned w.e.f. 30.07.2011) Dr. P. Goyal : Director Vijay Gupta : Director B.M. Dakhera : Additional Director (w.e.f. 31.10.2011)
<b>REGISTERED OFFICE:</b>	<b>PRESIDENT &amp; SECRETARY:</b>
A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone -451569 (M.P.)	<b>R. S. Vijayvargiya</b>
<b>INDORE OFFICE:</b>	<b>AUDITORS:</b>
301-308, Apollo Arcade, 1/2, Old Palasia, Indore -452018 (M.P.)	M/s. S. S. Kothari Mehta & Co. 146-149, Tribhuvan Complex, Ishwar Nagar, Mathura Road, New Delhi-110065
<b>DELHI OFFICE:</b>	<b>KOLKATA OFFICE:</b>
201, Skipper House, 62-63, Nehru Place, New Delhi-110019	46-C, Rafi Ahmed Kidwai Road, 3 <sup>rd</sup> Floor, Kolkata-700 016
<b>WORKS :</b>	<b>SOLICITORS:</b>
<b>Fertilizers &amp; Chemical Division:</b> 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)	M/s. Khaitan & Partners Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-110001
	<b>BANKERS:</b>
	State Bank of India IDBI Bank Ltd. Corporation Bank HDFC Bank Ltd., Axis Bank Ltd.
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<b>Processing facility at Arihant phosphate &amp; Fertilizers Ltd.</b> 6). Village Sagwadia, Tehsil Nimbaheda, Dist. Chittorgarh - 312601 (Rajasthan)	<b>Listing of Shares:</b>
<b>Soya Division:</b> Dosigaon Industrial Area, Ratlam - 457001 (M.P.)	The Bombay Stock Exchange Ltd. (B.S.E.) Stock Code: 507794 ISIN No.: INE745B01028 (NSDL & CDSL)

**Note: As per SEBI Circular No. MRD/DoP/Cir-05/2009 dated May 20, 2009 it will be mandatory for the transferee(s) to furnish copy of PAN card to the Company/RTAs for registration of transfer of shares in physical form of listed company. In absence of above transfers will be liable to be rejected.**

# KHAITAN CHEMICALS & FERTILIZERS LIMITED



## NOTICE

NOTICE is hereby given that the **THIRTIETH 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, 3<sup>rd</sup> day of August, 2012** 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 31<sup>st</sup> March, 2012 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31<sup>st</sup> March, 2012.
3. To appoint a director in place of Mr. 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. To consider and if thought fit, to pass with or without modification the following Resolution as Ordinary Resolution:  
"RESOLVED THAT pursuant to the provisions of section 257 of the Companies Act, 1956 and other applicable provisions if any, Shri Balmukund Dakhera, be and is hereby appointed as a director of the Company and liable to retire by rotation".
6. To consider and if thought fit, to pass with or without modification(s) the following Resolution as **Special Resolution:**  
**APPOINTMENT OF SHRI J.L. JAJOO AS WHOLE TIME DIRECTOR OF THE COMPANY**  
"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 J.L. Jajoo, which has been approved by the Board of Directors of the Company as **Whole Time Director** for a period of three years w.e.f. 01.11.2011 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 J.L. Jajoo."
7. To Consider and if thought fit, to pass with or without modification(s) the following resolution as

### Special Resolution:

### RE-APPOINTMENT OF SHRI SHAILESH KHAITAN AS CHAIRMAN & MANAGING DIRECTOR.

"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. 01.04.2012 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: May 29, 2012

By Order of the Board  
S/d  
(R. S. Vijayvargiya)  
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 30, July, 2012 to 3, August, 2012, 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 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.
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 2003-04 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.

# KHAITAN CHEMICALS & FERTILIZERS LIMITED



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

**Item No. 5 :**

Shri Balmukund Dakhera was appointed as an Additional Director at the meeting of Board of Directors held on October 31, 2011. He hold office up to date of ensuing Annual General Meeting. Shri Balmukund Dakhera is the Chartered Accountants and he is having rich & vast experience in the field of Taxation & Finance. 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 Balmukund Dakhera as Director of the Company. Your Directors recommend the resolution for approval. None of the Directors of the Company except Shri Balmukund Dakhera is concerned or interested in the resolution relating to appointment.

**Item No. 6 :**

Shri J.L. Jajoo is a Chartered Accountant and he was earlier associated with this Company since beginning to 1995 as Vice President/ President/ Executive Director, and thereafter remain on the Board as Independent Director.

The Board of Directors of the Company at its meeting held on 31st October, 2011 has therefore appointment of Shri J.L. Jajoo, as Whole Time 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. 01.11.2011, at the remuneration, in accordance with the norms laid down in Schedule XIII and other applicable provisions of the Companies Act, 1956.

Further, Shri J.L. Jajoo shall be specifically look after strategically business development and administration.

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

**Remuneration, benefits and perquisites:**

**i. Salary:**

Rs. 1,00,000/- per month, Salary will be subject to the deduction of Income tax/professional tax at the applicable rates.

**ii. Perquisites**

**a) Housing:**

The Company shall provide accommodation for the whole time director at place other than Mumbai, being his permanent residence.

**b) Medical Reimbursement:**

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

**c) Leave and Leave Travel Concession:**

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

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

**d) Club Fees:**

Shri J.L. Jajoo 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 J.L. Jajoo.

**f) Car & Telephone:**

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

**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.

**iii) Minimum Remuneration :**

In the event of the Company incurring a loss or having inadequate profits in any financial year, the remuneration, perquisites, benefits, allowances and amenities payable to Shri J.L. Jajoo 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.

**iv) Sitting Fees :**

Shri J.L. Jajoo shall not be paid sitting fees for attending the meetings of the Board of Directors of the Company and committees thereof.

Shri J.L. Jajoo is not liable to retire by rotation during his tenure as Whole Time Director.

None of the Directors other than Shri J.L. Jajoo, 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 J.L. Jajoo, as Whole Time Director. The Board recommends the proposed resolution as a special resolution for your approval.

**ITEM No. 7 :**

Shri Shailesh Khaitan was re-appointed as Managing Director in 28th Annual General Meeting of the Company w.e.f. April 1, 2009 for a period of 3 years.

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 29th May, 2012 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. 01.04.2012, 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. 700000/- (Rupees Seven lacs) per month, with an annual increment of Rs.50000/- per month. Salary will be subject to the deduction of Income tax at the applicable rates, under the Income Tax Act, 1961.

**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

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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:**

Free use of Company's car for the Company's business

Personal long distance call on telephone and use of car for private purpose shall be billed by the Company to the 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. Kargone (M.P.)  
Date: May 29, 2012

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

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

	1	2
Name of Director	<b>Dr. P. Goyal</b>	<b>Shri Balmukund Dakhera</b>
Age	68 years	50 years
Qualification	BSc Tech. (Chemicals Engineering and Ph.D in Chemical Engineering)	Chartered Accountant
Date of Appointment	16 <sup>th</sup> July, 1999	31 <sup>st</sup> October, 2011
Expertise	Excellent General Management Skills & Vast Project Consulting Experience.	Rich and vast experience in the field of Taxation and finance.
Other Directorships (excluding Pvt. Companies) as on 31 <sup>st</sup> March, 2012	Nil	Nil
Chairman / Member of the Committees as on 31 <sup>st</sup> March, 2012	<b>Khaitan Chemicals &amp; Fertilizers Ltd.:</b> Chairman-Audit Committee Member-Shareholder's/ Investor's Grievances Committee	<b>Audit/ Remuneration Committee:</b> Khaitan Chemicals & Fertilizers Ltd.

	3	4
Name of Director	<b>Shri J.L. Jajoo</b>	<b>Shri Shailesh Khaitan</b>
Age	68 years	56 years
Qualification	Chartered Accountant	B. Com (Hons.)
Date of Appointment	1 <sup>st</sup> January, 1991	1 <sup>st</sup> September, 1984
Expertise	Rich and vast experience in the field of Management and finance.	Industrialist
Other Directorships (excluding Pvt. Companies) as on 31 <sup>st</sup> March, 2012	Nil	1.Shradha Projects Ltd. 2.Tribhuvan Properties Ltd.
Chairman / Member of the Committees as on 31 <sup>st</sup> March, 2012	Nil	Nil

# KHAITAN CHEMICALS & FERTILIZERS LIMITED



## DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 30<sup>th</sup> annual report of the Company and audited statement of accounts for the year ended 31<sup>st</sup> March, 2012.

### FINANCIAL RESULTS

The financial performance of the Company for the year ended 31<sup>st</sup> March, 2012 is summarised below:

(Rs. in lacs)

	2011-2012	2010-2011
Sales (Gross)	64,858.54	46,033.42
Net Sales	64,787.35	46,025.66
Surplus before interest, depreciation, exceptional items and Tax	6,487.83	7,254.14
Less: Interest & Financial Expenses	2,609.26	1,770.23
Cash Profit before tax	3,878.57	5,483.91
Less: Depreciation	731.62	666.16
Exceptional Items	95.06	168.06
Profit/(Loss) before taxation	3,051.89	4,649.69
Provision for current tax	969.61	1,570.40
Deferred tax	(86.43)	(70.54)
Income Tax of earlier year	(5.49)	7.00
Profit/(Loss) after taxation	2,174.20	3,142.83
Proposed Dividend @ 24%	232.77	232.77
Earning Per Share (face value of Re. 1/- each)	2.24	3.24

### REVIEW OF OPERATIONS

#### Fertilizer & Chemicals Division:

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

We are confident that in a rational subsidy scheme, the SSP industry shall grow considerably resulting in higher availability of this 'generic customized fertilizer' for Indian farmers at competitive prices with no extra cost to exchequer. With the growth of the Industry and the Government's commitment to encourage this fertilizer through greater extension services, it shall also reduce country's dependence on imported phosphatic fertilizer.

During the current year, the Government has mopped up Rs.863/- PMT on account of stock lying as on 31.03.2011 and also stopped reimbursement of freight subsidy of Rs.200 PMT. Both of the above works out to Rs. 1981.96 lacs for the year. The Govt. also intends to mop up subsidy on account of stock of raw material, however, so far they have not worked out such mop up on raw material.

These arbitrary, adhoc, retrospective irrational and above all against the basic theme of NBS, decisions of Government make the Industry apprehensive and the future of the business uncertain.

The year 2011-12 commenced with an increasing trend in prices of raw material & finished goods which have adversely affected the profitability during the year. However, again while phosphatic products like DAP have come down in the International market below the level of March 2011, the prices of main raw materials i.e., Rock phosphate has increased by atleast 50% since March 2011. This clubbed with lower NBS subsidy for the year 2012-13 shall hit the Industry atleast during the current Kharif season.

During the year 2011-12, the Company produced 522358 MT (previous year 433393 MT) Single Super Phosphate and sold 538250 MT (previous year 451067 MT) which was highest ever production and sales by the Company.

The Company welcomes the Government's initiative to directly transfer the subsidy to farmers which shall give the farmers

unrestricted choice as well as make them understand the real worth of fertilizer used by them.

#### Soya Division:

In view of total speculative behavior in the market, leading to lack of upfront crushing margin during the year, the Company has restricted the business activities in the current year. The Company is adequately leveraging its position by hedging its inventories to counter the high volatility.

The performance of the Company is satisfactory pursuant to the cautious approach followed by the Company. During the year, the Company has crushed 47829 MT (previous year 42541 MT) Soybean seed including NIL (previous year 10551) through Job work basis.

#### DIVIDEND

The Board of Directors is pleased to recommend final dividend of Re. 0.24 per equity share (face value of Re. 1/- per share) for the year 2011-2012, which is equal to previous year.

#### PROJECTS & FINANCE

The project for manufacturing of 200000 TPA of SSP and Phospho Gypsum at Dahej, Gujarat has received all the necessary NOCs from concerned Authorities. The Company expects to start civil work shortly. The State Bank of India has sanctioned the term loan of Rs. 21.50 Crores for the project.

The Company has acquired land for putting up fertilizer project near Neemuch (Madhya Pradesh). The Company has also applied for environment clearance for expansion of fertilizer capacity at our existing locations.

During the year, the Company has incurred loss (including MTM) of Rs. 910.94 lacs on account of Foreign Exchange Fluctuation (previous year loss Rs.64.99 lacs) and grouped in 'other expenses'. Axis Bank Limited has become part of our banking consortium.

#### 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.

# KHAITAN CHEMICALS & FERTILIZERS LIMITED



## 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 point 4 of the Auditors' Report, the Management is of the view that there is no liability and therefore the Company has not provided for Moping of subsidy on raw materials of fertilizer as on 31.03.2011 in terms of Office Memorandum No. 23011/1/2010-MPR dated 11-07-2011 issued by the Ministry of Chemicals & Fertilizers, Govt. of India, being unreasonable and unjustified, which is neither ascertainable nor deducted/withheld by Govt. of India as on date and being protested by the Industry.

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, Sulphuric Acid and Soya products for the financial year 2012-2013.

## 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 lacs on export of goods (Previous year Rs. 85.34) and incurred Rs. 17087.32 lacs (Previous year Rs. 9481.97 lacs) on import of Raw Materials, Capital Goods, Fees & Subscription and Interest on Foreign Currency Loan.

## DIRECTORS

During the year under review, Shri O.P. Bagla, Director of your Company, resigned w.e.f. 31st July, 2011. The Board placed on record its sincere appreciation for valuable services rendered and contribution made by him.

The Board at its meeting held on 31st October, 2011 has appointed Shri J.L. Jajoo, as Whole Time Director of the Company subject to the approval of shareholders of the Company in ensuing annual general meeting for a period of three years w.e.f. 01.11.2011.

Shri J.L. Jajoo, Chartered Accountant, is associated with your Company since beginning to 1995 as Vice President/ President/ Executive Director, and thereafter remained on the Board as Independent Director.

Shri Balmukund Dakhera, Chartered Accountant, is appointed as an Additional Director of the Company w.e.f. 31<sup>st</sup> October, 2011 and will hold office up to the date of the forthcoming Annual General Meeting and being eligible offers himself for re-election. Directors recommend his reappointment.

Shri Shailesh Khaitan is re-appointed as Managing Director of the Company for a period of three years w.e.f. 01.04.2012. His term of

appointment expired on 31.03.2012.

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. Directors recommend his reappointment.

Particulars of the directors seeking appointment/re-appointment are provided in the notes forming part of the notice for the ensuing Annual General Meeting, as required under 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, 2012 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

In accordance with Clause 49 of the listing agreements with Stock Exchange, the Management Discussion and Analysis Report forms part of this Report (Annexure - B)

## CORPORATE GOVERNANCE

Your Company has always strived to maintain appropriate standards of good corporate governance. The report on corporate governance as stipulated under clause 49 of the listing agreements forms part of this Report. The requisite certificate from the auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the said clause is attached to this report. 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, 2012 to the BSE.

## PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report (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, HDFC Bank Limited and Axis Bank Ltd., various departments/ agencies of Central/State Govt., Members, Customers, Suppliers, Employees and other business associates of the Company.

Place: New Delhi  
Date: May 29, 2012

for and on behalf of the Board  
(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
<b>1. Electricity:</b>		
a) Purchased Units	13959688	11120151
Total amount (Rs. in Lacs)	812.55	663.77
Rate/Unit (Rs.)	5.82	5.97
b) Own generation:		
i. Through diesel generator Units	172062	171736
Total amount (Rs. in Lacs)	26.35	21.63
Rate/Unit (Rs.)	15.32	12.59
ii. Through steam turbine Units *	12911822	10977680
Total amount	-	-
(*Net of Self Consumption in TG)		
<b>2. Coal:</b>		
Quantity (In MT)	4285	2719
Total Cost (Rs. in Lacs)	277.33	121.66
Rate/Unit (MT) (Rs.)	6471.61	4474.44
<b>3. Furnace oil:</b>		
Quantity (K. Lts.)	1773	1326
Total Amount (Rs. in lacs)	743.25	418.10
Average Rate /Lt.	41.91	31.54

### B. Consumption per Unit of Production:

Item	Product	Current	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	28	29
	S.A./Oleum/Liquid So3	64	63
	Soya Oil/Doc	46	45
Coal (KG/MT)	Soya Oil/Doc/Power	72	71

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
<b>Employed through out the year:</b> Shri Shailesh Khaitan B.Com (Hons.)/ Chairman & Managing Director	56/32	01-09-84	100.54	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



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT Annexure-B

### CAUTIONARY STATEMENT

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

### 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	2011-12	2010-11	2009-10	2008-09	2007-08
<b>Production:</b>					
SSP	522358	433393	332543	226000	175450
Sulphuric Acid	164467	140911	94895	62423	82678
Oleum/Liquid So <sub>3</sub>	773	2467	4508	4659	5511
Seed Crushing	47829	42541	12135	51395	133575
Refined Oil	11164	7262	5485	11895	19637
<b>Sales:</b>					
SSP	538250	451067	244520	220259	222065
Sulphuric Acid	40488	48730	45941	35668	49374
Soya Oil	11836	6929	5345	12284	25361
De-Oiled Cake	41964	31178	9964	46143	111539

The summarized financial performance for last 5 years is as under: (Rs. In lacs)

Particular	2011-12	2010-11	2009-10	2008-09	2007-08
<b>Sales:</b>					
Fertilizer	48553.09	35024.27	15595.54	21459.32	12948.49
Soya	15631.21	10735.83	4690.44	13630.90	26685.63
<b>PBIDT:</b>					
Fertilizer	5071.90	6871.80	1086.84	4240.29	1784.39
Soya	650.19	269.61	(210.53)	87.07	977.39
<b>EPS(Rs) :</b>	2.24	32.43	0.86	10.61	9.31
<b>DIVIDEND:</b>	24%	24%	12%	18%	18%
<b>Face Value (Rs.)</b>	1	10	10	10	10

### 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 522358 MT SSP (including 34505 MT through Job work basis), and sold 538250 MT SSP.

The Company is determined to keep its leading position in SSP industry.

### 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 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 like Pulses, oil seeds, Sugarcane, Fruits and Vegetables, Tea etc. and for sulphur deficient soils.

The union Budget 2012, laid down in parliament on 16th March, 2012 by Hon'ble Finance Minister Mr. Pranab Mukherjee speaks as under:

"To reduce India's import dependence in urea, Government has taken steps to finalise pricing and investment policies for urea. It is expected that with the implementation of the investment policy, country will become self sufficient in manufacturing urea in the next five years. In case of the potassic-phosphatic (P&K) fertiliser, use of single super phosphate (SSP) will be encouraged through greater extension work. This fertiliser is manufactured entirely in the domestic sector. Enhanced production would bring down our dependence on imports in the P&K sector".

NBS Policy has put the SSP industry alongwith other fertilizers 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.

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

Thus the SSP industry shall help to achieve government intention to reduce dependence on imported fertilizers.

### Future Outlook:

The Country stress on higher agri-productivity with considerable better realization to farmers shall bound to increase the demands of fertilizers. However at the same time this may not reflect in figures due to optimum use of fertilizer by farmers and control on leakage on subsidized fertilizers to neighboring countries as well as other (mis)uses. The direct transfer of subsidy shall also force farmers to rationale use of fertilizers.

Fertilizer industry including SSP is a capital incentive and need huge working capital requirement and therefore interest rate along with delay in disbursement of subsidy is always matter of concern of the Company.

The Company expects healthy growth in the demand for fertilizers, especially SSP 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 is a long term positive for Fertilizer Industry particularly SSP Industry with free market mechanism encouraging more interaction between producers and farmers for efficient use of fertilizer for better agriculture output.

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:

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 due to inherent benefit to Indian farmers and the Govt. 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 volatility 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 47829 MT (Previous year 42540 MT) Soybean seed including NIL (Previous year 10551 MT) 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 10-12 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 alongwith long shelf life 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 O.P. Bagla & 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 Unions /Employees.

### 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 by way of water harvesting, Sewage Treatment Plant etc.

The Company was awarded with "ENVIRONMENTAL PROTECTION AWARD" from the "THE FERTILIZER ASSOCIATION OF INDIA" and Letter of Appreciation from The National Safety Council of India for its Nimbaheera plant.

### 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.