



KHAITAN CHEMICALS & FERTILIZERS LIMITED



33rd Annual Report 2014-2015

KHAITAN CHEMICALS & FERTILIZERS LIMITED



ANNUAL GENERAL MEETING:	BOARD OF DIRECTORS:
Date : 5 th August, 2015 Day : Wednesday Time : 1.00 P.M. Place : Registered Office	Shailesh Khaitan : Chairman & Managing Director Utsav Khaitan : Whole Time Director Jagdish Lal Jajoo : Whole Time Director (w.e.f. 15.11.2014) Dr. Prakash Goyal : Independent Director Vijay Gupta : Independent Director Balmukund Dakhera : Independent Director Veena Chadha : Independent Director
REGISTERED OFFICE:	KEY MANAGERIAL PERSONNEL
A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone -451569 (M.P.)	Shailesh Khaitan : Chairman & Managing Director R.S. Vijayvargiya : President & Chief Financial Officer Kamlesh Joshi : Company Secretary
INDORE OFFICE:	AUDITORS:
3rd Floor, 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
GURGAON OFFICE:	KOLKATA OFFICE:
K-9/4, Road 9, DLF City-II, Gurgaon - 122002 (Haryana)	46-C, Rafi Ahmed Kidwai Road, 3 rd Floor, Kolkata-700 016
WORKS :	SOLICITORS:
Fertilizers & Chemical Division: 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) 6). 42/7, GIDC Industrial Estate, Dahej, Vagra Dist. Bharuch-392130 (Gujarat)	M/s. Khaitan & Partners Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-110001
Soya Division: Dosigaon Industrial Area, Ratlam - 457001 (M.P.)	BANKERS: ● State Bank of India ● IDBI Bank Ltd. ● Corporation Bank ● HDFC Bank Ltd., ● Axis Bank Ltd.
	CONTENTS:
	Directors' Report : 1-4 Management Discussion & Analysis Report : 5-6 Report on Corporate Governance : 7-12 Secretarial Audit Report : 13-14 Annual Report on CSR Activities : 14 Extract of Annual Return : 15-19 Auditor's Report : 20-22 Balance Sheet : 23 Statement of Profit & Loss : 24 Cash Flow Statement : 25 Notes to financial statements : 26-40
	Listing of Shares:
	The Bombay Stock Exchange Ltd. (B.S.E.) Stock Code: 507794 ISIN No.: INE745B01028 (NSDL & CDSL)

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

KHAITAN CHEMICALS & FERTILIZERS LIMITED



NOTICE

NOTICE is hereby given that the **THIRTY THIRD 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 Wednesday, 5th day of August, 2015 at 1:00 P.M. to transact the following business:

ORDINARY BUSINESS:

- To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31st March, 2015, including the Audited Balance Sheet as at 31st March, 2015, the statement of profit and loss for the year ended on that date and the Reports of the Board of Directors' and Auditors' thereon.
- To declare dividend on the equity shares of the Company for the year ended on 31st March, 2015.
- To appoint a director in place of Shri Utsav Khaitan (DIN: 03021454), who retires by rotation and being eligible offers himself for re-appointment.
- To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT M/s. S.S. Kothari Mehta & Co., Chartered Accountants (Registration No.000756N) be and is hereby appointed as an Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at such remuneration as shall be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS:

- Appointment of Shri Jagdish Lal Jajoo, as a Director liable to retire by rotation and also as a Whole Time Director**
To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:
"RESOLVED THAT, pursuant to the provisions of Section 149 of the Companies Act, 2013 and the rules made thereunder and all other applicable provisions, if any, and the Articles of Association of the Company, Shri Jagdish Lal Jajoo (DIN: 02758763) who has appointed as an Additional Director by the Board of Directors with effect from 15.11.2014 to hold office of the Director until the date of Annual General Meeting, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Shri Jagdish Lal Jajoo (DIN:

02758763) as a candidate for the office of a Director of the Company, be and is hereby appointed as a Director of the Company and he is liable to retire by rotation."

- RESOLVED FURTHER THAT**, pursuant to provisions of Section 188, 196 and 197, Schedule V and other applicable provisions of the Companies Act, 2013, and rules thereunder the approval of the Company be and is hereby accorded for appointment of Shri Jagdish Lal Jajoo (DIN: 02758763) as a Whole Time Director of the Company for a period of five years, with effect from 15.11.2014 on the terms and conditions as specified in the statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to this notice convening this Annual General Meeting a copy whereof 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 by the Board of Directors of the Company and Shri Jagdish Lal Jajoo."
- To approve the remuneration of the Cost Auditors for the financial year ending March 31, 2016.**

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

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the remuneration of Rs. 95000/- plus service tax as applicable and reimbursement of actual travel and out of pocket expenses for the financial year ending March 31, 2016 as approved by the Board of Directors of the Company, to be paid to **M/s. M.P. Turakhia & Associates, Cost Accountants**, for the conduct of the cost audit of the Company's Manufacturing units at Nimrani, Nimbahera, Jhansi, Malwan, Rajnandgaon and Dahej (**for Fertilizers**), units at Nimrani, Jhansi, Malwan and Rajnandgaon (**for Sulphuric Acid**) and Ratlam (**for Soya Products**) be and is hereby ratified and confirmed."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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

By Order of the Board

S/d

Place : Gurgaon
Date : 16.05.2015

(KAMLESH JOSHI)
Company Secretary

NOTES:

- 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.** A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person cannot act as a proxy for any other person or shareholder. A Proxy Form is sent herewith. Proxies submitted on behalf of the Companies, Societies etc., must be supported by an appropriate resolution/authority, as applicable.
- 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.
- Member(s)/Proxies are requested to bring the attendance slip annexed herewith, duly filled in, for attending the meeting.
- Corporate Members intending to send their authorised

representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company a certified copy of the relevant Board Resolution together with their respective specimen signatures authorising their representative(s) to attend and vote on their behalf at the Meeting.

- The Register of Members and Share Transfer Books of the Company will remain closed from 29.07.2015 to 05.08.2015, both days inclusive for the purpose of payment of dividend, if declared at the Annual General Meeting.
- Members who hold shares in dematerialized form are requested to quote Depository Account Number (Client ID No.) for recording of attendance at the meeting.
- Members are requested to notify to the Company immediately, quoting Registered Folio No., change in their address, if any, with the pin code number.
- 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.
- 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.



10. Shareholders who are still holding physical share certificate are advised to dematerialize their shareholding to avail benefit of dematerialization.
 11. The Company has transferred all unpaid/unclaimed equity dividends up to the financial year 2006-07 to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. (Section 125 of Companies Act, 2013).
 12. Members are advised to claim their unpaid dividend for the year 2007-08 to 2013-14 if any, the Company is having unpaid dividend of Rs. 37.22 lacs for the year 2007-08 to 2013-14. Attention of the members of the Company are drawn towards the provisions of section 124(6) which provides that all the shares in respect of which unpaid or unclaimed dividend has been transferred u/s 124(5) shall also be transferred by the Company in the name of IEPF (section 124(6) yet to be notified. Therefore in the interest of the members it is advised to take appropriate action to encash the unpaid dividend and update their bank particulars through the respective DPs.
 13. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company Secretary at least seven days before the date of the meeting so that the required information can be made available at the meeting.
 14. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.
 15. The Explanatory Statement pursuant to the provisions of Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.
 16. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
 17. Electronic copy of the Annual Report for the FY 2014-15 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for the year 2014-15 is being sent in the permitted mode.
 18. The register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the Annual General Meeting of the Company.
 19. The Register of Directors and Key Managerial Personal and their shareholding, maintained under Section 170 of the Companies Act, 2013 will be available for inspection by the members at the Annual general Meeting of the Company.
 20. Electronic copy of the Notice of the 33rd Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 33rd Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
 21. Members may also note that the Notice of the 33rd Annual General Meeting and the Annual Report for the FY 2014-15 will also be available on the Company's website www.khaitanchemfert.com for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: khaitanchemfert@gmail.com.
- 22. Voting through electronic means**
In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 and Amendment in Rule 20 of the Companies (Management and Administration) Rules, 2014 by MCA vide its notification dated March 19, 2015, the Company is pleased to provide members facility to exercise their right to vote at the 33rd Annual General Meeting (AGM) by electronic means / remote e-voting and the business may be transacted through e-Voting Services provided by **NSDL**.
The instructions for e-voting are as under:
- A. In case a Member receives an email from **NSDL** [for members whose email IDs are registered with the Company/Depository Participants(s)]:
 - (i) Open email and open PDF file viz: "**KCFL.PDF**" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password.
 - (ii) Launch internet browser by typing the following URL: <http://www.evoting.nsdl.com>
 - (iii) click on Shareholder – Login
 - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
 - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (vi) Home page of e-voting opens. Click on e-Voting: Active Voting Cycles.
 - (vii) Select "EVEN" of "Khaitan Chemicals & Fertilizers Ltd."
 - (viii) Now you are ready for e-voting as Cast Vote page opens.
 - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
 - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to csriteshguptakcfl@gmail.com with a copy marked to khaitanchemfert@gmail.com
 - B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants(s) or requesting physical copy]:
 - (i) Initial password is provided in the e-voting letter attached with the notice / these will be send separately .
EVEN (E-Voting Event Number) PASSWORD/PIN USER ID
 - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads Section of <http://www.evoting.nsdl.com>



- III. If you are already registered with NSDL for e-voting then you can use your existing user ID and password/PIN for casting your vote.
- IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- V. The e-voting period commences on Friday, July 31, 2015 at 10.00 A.M. and ends on Tuesday, August 4, 2015 at 5.00 P.M.). During this period shareholders' of the Company, holding Shares either in physical form or in dematerialized form, as on the cut-off date (record date) of Wednesday, July 29, 2015, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting after 5.00 P.M. on August 4, 2015. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- VI. Members holding shares in physical or in demat form as on July 29, 2015 Shall only be eligible for e-voting.
- VII. CS Ritesh Gupta, Company Secretary whole time in Practice (ICSI Membership No. 5200 CP No. 3764) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- VIII. The Scrutinizer shall immediately after the conclusion of voting at the general meeting, first count the votes cast at the meeting, therefore unblock the votes cast through e-voting in the presence of at least two(2) witnesses not in the employment of the company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- IX. The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website at www.khaitanchemfert.com within two (2) days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 :

Item No. 5

Shri Jagdish Lal Jajoo is a Chartered Accountant and he was earlier associated with the Company since beginning to 1995 as Vice President/ Executive Director/Independent Director, and thereafter remains on the Board as a Whole Time Director till 01.09.2014

The Board of Directors of the Company at its meeting held on 14th day of November, 2014 and on the recommendation of the Nomination and Remuneration Committee of the Board, has appointed Shri Jagdish Lal Jajoo, as an Additional Director and also Whole Time employment, under Section 149, 152, and 161, subject to the approval of members and shareholders of the Company in ensuing annual general meeting for a period of five years w.e.f. 15.11.2014, at the remuneration, in accordance with the norms laid down in Section 196, 197 and other applicable provisions of the Companies Act, 2013 and the rules made there under, read with Schedule V of the Companies Act, 2013.

Shri Jagdish Lal Jajoo shall be specifically looking after strategically business development and administration.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Shri Jagdish Lal Jajoo will hold the office up to date of the ensuing AGM. The Company has received notice with deposit of Rs. 1,00,000 in writing intending his candidature under the provision of Section 160 of the Companies Act, 2013, for the office of Whole Time Director and he shall be liable to retire by rotation.

The Company has received from Shri Jagdish Lal Jajoo (i) a consent in writing to act as director in prescribed form DIR-2 and (ii) an intimation in prescribed form DIR-8 to the effect that he is not disqualified under Section 164 (2) of the Companies Act, 2013.

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, under the Income Tax Act, 1961.

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:

He 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. 20,000/- towards personal accident insurance policy of Shri Jagdish Lal Jajoo.

f) Car & Telephone:

Free use of the 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.

g) Limits on Remuneration:

The remuneration as specified in clauses above shall be subject to the overall limits as specified under Sections 196, 197 and other applicable provisions read with Schedule V of the Companies Act, 2013.

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 Jagdish Lal Jajoo shall be in accordance with Section II of Part II of Schedule V of the Companies Act, 2013 as amended from time to time.

iv. Sitting Fees:

He shall not be paid sitting fees for attending the meetings of the Board of Directors of the Company.

Shri Jagdish Lal Jajoo is liable to retire by rotation during his tenure as Whole Time Director.

Except Shri Jagdish Lal Jajoo being an appointee, none of the Directors of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No.5. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

This explanation, together with the accompanied notice is and should be treated as an abstract under Section 189 and 190 of the Companies Act, 2013 and rules made there under, in respect of the appointment of Shri Jagdish Lal Jajoo, as the Whole Time Director.

There shall be relations with Shri Jagdish Lal Jajoo and the Company as an employee and employer for all the purposes.

Shri Jagdish Lal Jajoo is holding 240 Equity shares consisting employer negligible% of the paid up capital of the Company.

The resolution for seeks approval of members as an **Special Resolution** for the appointment of Shri Jagdish Lal Jajoo as Whole Time Director of the Company from 15.11.2014 to 14.11.2019, pursuant to the provisions of Section 196 and 197 read with Schedule V other applicable provision of the Companies Act, 2013 and the rules made there under.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Item No. 6

In pursuance of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the Board shall appoint an individual who is a cost accountant in practice on the recommendation of the Audit Committee, which shall also recommend remuneration for such cost auditor. The remuneration recommended by the Board of Directors and ratified by the shareholders of the Company. On the recommendation of the Audit Committee at its meeting held on May 16, 2015, the Board has considered and approved appointment of **M/s. M.P. Turakhia & Associates, Cost Accountants** for the conduct of the cost audit of the Company's Manufacturing units at Nimrani, Nimbahera, Jhansi, Malwan, Rajnandgaon and Dahej (**for Fertilizer**), units at Nimrani, Jhansi, Malwan and Rajnandgaon (**for Sulphuric**

Acid) and Ratlam (**for Soya Products**) at a remuneration of Rs.95000/- plus service tax as applicable and reimbursement of actual travel and out of pocket expenses for the financial year ending March 31, 2016.

The Resolution at Item No. 6 of the Notice is set out as an Ordinary Resolution for approval and ratification by the members in terms of Section 148 of the Companies Act, 2013.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

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

Name of Director	Shri Jagdish Lal Jajoo	Shri Utsav Khaitan
Age	71 years	24 years
Qualification	Chartered Accountant	BSc (Economics)
Date of Appointment	15 th November, 2014	20 th May, 2014
Expertise	Rich and vast experience in the field of Management and finance.	Marketing
Other Directorships (excluding Pvt. Companies) as on 31 st March, 2015	Nil	Nil
Chairman / Member of the Committees as on 31 st March, 2015	<u>Khaitan Chemicals & Fertilizers Ltd.:</u> Chairman- Corporate Social Responsibility Committee.	<u>Khaitan Chemicals & Fertilizers Ltd.:</u> Member- Corporate Social Responsibility Committee

KHAITAN CHEMICALS & FERTILIZERS LIMITED



DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 33rd annual report of the Company and audited statement of accounts for the year ended 31st March, 2015.

FINANCIAL RESULTS

The financial performance of the Company for the year ended 31st March, 2015 is summarised below:

	(Rs. in lacs)	
Particulars	2014-15	2013-14
Sales (Gross)	33388.06	39330.73
Net Sales	33203.41	39684.35
Surplus before interest, depreciation, exceptional items and Tax	3728.09	2644.61
Less: Financial Cost	3006.60	2497.39
Cash Profit before tax	721.49	147.22
Less: Depreciation	889.11	764.44
Exceptional Items	-	-
Profit /(Loss) before taxation	(167.62)	(617.22)
Provision for current tax	-	-
Deferred tax	521.51	446.32
Income Tax of earlier year	3.47	(8.51)
Profit /(Loss) after taxation	350.42	(162.39)
Transfer to General Reserve	-	-
Proposed Dividend @ 5%	48.49	48.49
Tax on Proposed Dividend	9.87	8.24
Earning Per Share (face value of Re. 1/- each)	0.36	(0.17)

REVIEW OF OPERATIONS

FERTILIZER & CHEMICALS DIVISION:

During the year, the Company has earned Rs.350.42 Lacs of PAT (previous year: loss of Rs 162.39 Lacs) even after a decrease in total income. The performance of the Company has marginally improved, mainly on account of better management of current assets, forex exposure and due to reduction in the raw material prices and other manufacturing cost.

The year 2014-15 continued to be a challenging period with weak economic environment, depreciating currency, inconsistent and unevenly distributed monsoons leading to financial deterioration of the farmers economic condition.

The Company is continuing its efforts for optimizing its current assets, however the statutory requirement of compulsory minimum production hinders the process. The Government of India is reviewing its stipulations for minimum production requirement.

The performance of the Company did not meet expectations in sales volume, mainly due to low margins and conditions of oversupply in the market. The increased supply situation in the market was further compounded due to compulsory minimum production stipulated by the GOI. The performance of the Company in last three years was also affected by losses on Inventories with a continuing downward trend in prices of raw material.

The Company has produced 347238 MT (previous year 392448 MT) Single Super Phosphate and sold 322071 MT (previous year 372984 MT).

The Industry is awaiting a long term policy from the Government of India, to strengthen and stabilize the NBS Policy across all fertilizers to encourage balanced & rational use of fertilizers.

Raw material prices now seem to have stabilized and therefore with the expected long term policy of the Government of India along with the declared road-map for direct subsidy to farmers shall help the growth of

SSP Industry in a free but competitive environment.

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

SOYA DIVISION

The Soya Industry is passing through a tough patch with large activities of speculation with exemption and evasion of tax to/by Industry.

The Company has reduced its activities in this segment to large extent alongwith total control on fixed expenses.

DIVIDEND

The Board of Directors is pleased to recommend final dividend of Re. 0.05 per equity share (face value of Re. 1/- per share) for the financial year 2014-2015, previous year Re.0.05 per equity share.

PROJECTS & FINANCE

The Dahej plant has started production after getting all clearances.

The Company has availed corporate loan from IDBI Bank Limited and State Bank of India has also sanctioned corporate loan, to supplement the working capital requirements in current year.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year under review, pursuant to the provisions of Section 73 of the Companies Act, 2013 & the Deposit Rules.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Information required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed in Form-A 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.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

FOREIGN EXCHANGE EARNING AND OUTGO

The Company has earned Rs. NIL lacs on export of goods (Previous year Rs. NIL) and incurred Rs. 9047.66 lacs (Previous year Rs. 7449.67 lacs) on import of Raw Materials, Capital Goods, Fees & Subscription and Interest on Foreign Currency Loan.

DIRECTORS

In accordance with the provisions of Section 152 (6)(c) of the Companies Act, 2013 and the Articles of Association of the Company, Shri Utsav Khaitan, Whole Time Director of the Company is due to retire at forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment. Directors recommend his reappointment.

The Board at its meeting held on 14.11.2014 has appointed Shri Jagdish Lal Jajoo, as a Whole Time Director subject to the approval of shareholders of the Company in ensuing Annual General Meeting for a period of five years w.e.f. 15.11.2014.

Shri Jagdish Lal Jajoo, Chartered Accountant, was earlier associated with this Company since beginning to 1995 as Vice President/ President & Executive Director and from 22.02.1996 to 31.10.2011, he had held the position as an Independent Director and thereafter remain on the Board as Whole Time Director till 01.09.2014.

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.

The Company has received disclosures from all the directors (including Shri Jagdish Lal Jajoo) and none of the directors has been disqualified as stipulated under Section 164 of the Companies Act, 2013 and rules made thereunder.

During the year, the Board of Directors met 4 (Four) times. The details of the Board Meetings and the attendance of the Directors are provided in the Corporate Governance Report (**Annexure - C**).

KEY MANAGERIAL PERSONNEL

The following employees were designated as whole-time key managerial personnel by the Board of Directors during the year under review:

- (a) Shri Shailesh Khaitan, Chairman & Managing Director;
- (b) Shri R. S. Vijayvargiya, President & Chief Financial Officer;
- (c) Shri Kamlesh Joshi, Company Secretary.

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 agreement 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**).

VIGIL MECHANISM / WHISTLE BLOWER POLICY

As per the requirement of Section 177 (9) of the Companies Act, 2013, and Clause 49 of Listing Agreement, the Company has established a Vigil Mechanism called the 'Whistle Blower Policy' for Directors and Employees to report concern of unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy and the details of the Whistle Blower Policy has been uploaded on the Company's website, Web-link:

<http://khaitanchemfert.com/whistle-blower-policy/>

NOMINATION & REMUNERATION POLICY

Pursuant to Section 178 of the Companies Act, 2013, the rules made thereunder and Clause 49 of Listing Agreement, the Board has constituted the Nomination & Remuneration Committee comprising Shri Balmukund Dakhera, Chairman and Dr. Prakash Goyal & Shri Vijay Gupta as its members.

The Nomination & Remuneration Committee framed a policy for selection and appointment, re-appointment, removal, appraisals of Directors and Senior Management and the same is stated in the Corporate Governance Report (**Annexure - C**).

AUDITORS & AUDIT REPORT

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 139 of the Companies Act, 2013 & also received peer review certificate issued by the ICAI 'Peer Review Board', as required under Clause 49 of listing agreement.

The 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 148 of the Companies Act, 2013, 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 2015-2016.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s Ritesh Gupta & Co., Company Secretary in Practice, Indore, to undertake the Secretarial Audit of the Company.

The Secretarial Audit Report is self-explanatory and therefore do not call for any explanatory note and the same is annexed herewith as (**Annexure - D**).

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Pursuant to Section 135 of Companies Act, 2013 and the relevant rules, the Board has constituted the Corporate Social Responsibility Committee comprising Shri Jagdish Lal Jajoo as the Chairman and Shri Balmukund Dakhera, Dr. Prakash Goyal, Shri Vijay Gupta and Shri Utsav Khaitan as its members. The detail CSR Policy has been uploaded on Company's Website, Web-link:

<http://khaitanchemfert.com/corporate-social-responsibility/>

During the year the Company has decided to spend the amount for CSR by contributing to Prime Minister's National Relief Fund. The details on CSR activities are annexed (**Annexure - E**).

ANNUAL EVALUATION OF BOARD

Pursuant to the provisions of section 134 (3)(p) of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board adopted a formal mechanism for evaluating its performance and as well as that of its Committees and individual Directors, including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & committees, experience & competencies, performance of specific duties & obligations, governance issues etc.

The evaluation of the Independent Directors was carried out by the entire Board and that of the Chairman and the Non-Independent Directors were carried out by the Independent Directors.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return for the year ended on 31.03.2015 in form MGT 9 is annexed (**Annexure – F**).

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134(5) of the Companies Act, 2013, your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2015 and of the profit & loss of the Company for that period;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956/2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the annual accounts on a going concern basis.
5. they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and were operating effectively.
6. they have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

RELATED PARTY TRANSACTIONS

As per the requirement of Clause 49 (VII) (C) of the Listing Agreement, the Company has formulated Related Party Transaction Policy, on materiality and treatment of related party transactions. All such transactions that were entered into during the financial year were on an arm's length basis and in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee and the same has been approved by the Board. Prior omnibus approval of the Audit Committee is obtained on a quarterly basis for the transactions which are of a foreseen and repetitive nature. The Policy as approved by the Board is placed on the Company's website, Weblink:

<http://khaitanchemfert.com/related-party-transaction-policy/>

None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company. The details of the transactions with Related Party are provided in the accompanying financial statements.

LISTING OF SHARES

Shares of the Company are listed on The Bombay Stock Exchange Limited (BSE), Mumbai, which provides a wider access to the investors nationwide.

The Company has made all the compliances of Listing Agreement including payment of annual listing fees up to 31st March, 2016 to the BSE.

RISK MANAGEMENT

Risk Management Policy is formulated in compliance with Clause 49 of the Listing Agreement and Section 134(3)(n) of the Companies Act, 2013, which requires the Company to lay down procedure for risk assessment and risk minimization. The Board of Directors, Audit committee and the Senior Management of the Company should periodically review the policy and monitor its implementation to ensure the optimization of business performance, to promote confidence amongst stake holders in the business processes, plan and meet

strategic objectives and evaluate, tackle and resolve various risks associated with the Company. The business of the Company is exposed to various risks, arising out of internal and external factors i.e. Industry, Competition, Input, Geography, Financial, Regulatory, Other Operational, Information Technology related other risks.

Implementation of the Scheme:

The functional managers at all locations will be responsible for identifying and assessing the risks within their areas of responsibilities and actions agreed beforehand to resolve such risks. They will report for any new risk or changes in the existing risk to the President/Managing Director. The Board and the senior executives of the Company will oversee the implementation of the policy and review the same periodically; the Board will be updated on key risks faced by the Company and the mitigating actions taken to resolve them.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013.

"The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The following is a summary of sexual harassment complaints received and disposed off during the year 2014-15:

No of complaints received: · NIL

No of complaints disposed off: Not Applicable".

PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956 ("the old Act") & corresponding Section 197 of the Companies Act, 2013 ("the new Act") and the rules thereunder read with the Companies (Particulars of Employees) Rules, 1975 as amended forms part of this report (**Annexure-A**).

Ratio of remuneration of each director to the median remuneration of the employees of the Company for the Financial Year:

The information required pursuant to Section 197 read with Rule 5 (1) (i) of The Companies (Appointment and Remuneration) Rules, 2014 in respect of ratio of remuneration of each director to the median remuneration of the employees of the Company for the Financial Year, will be made available for inspection at its registered office of the Company during the working hours for a period of twenty one days before the date of annual general meeting of the company pursuant to Section 136 of the Companies Act, 2013 and members, if any interested in obtaining the details thereof, shall make specific request to the Company Secretary and Compliance officer of the Company in this regard.

ACKNOWLEDGEMENT

The Board of Directors, wish to place on record its sincere appreciation for the support and co-operation received from all its stakeholders including customers, promoters, shareholders, bankers, suppliers, auditors, various departments/ agencies of Central/State Government and other business associates of the Company.

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

for and on behalf of the Board

Place: Gurgaon
Date: 16.05.2015

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	11750546	11914374
Total amount (Rs. in Lacs)	897.34	869.50
Rate/Unit (Rs.)	7.64	7.30
b) Own generation:		
i. Through diesel generator Units	37633	29540
Total amount (Rs. in Lacs)	13.31	8.15
Rate/Unit (Rs.)	35.36	27.60
ii. Through steam turbine Units *	3539470	7836350
Total amount	-	-
(*Net of Self Consumption in TG)		
2. Coal:		
Quantity (In MT)	1452	1644
Total Cost (Rs. in Lacs)	106.07	112.84
Rate/Unit (MT) (Rs.)	7303.02	6861.85
3. Furnace oil:		
Quantity (K. Lts.)	10	339
Total Amount (Rs. in lacs)	5.45	175.09
Average Rate /Lt.	54.36	51.62

B. Consumption per Unit of Production:

Item	Product	Current Year	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	32.65	34
	S.A./Oleum/Liquid So3	62.92	60
	Labsa	49.61	N.A.
	Soya Oil/Doc	N.A.	164
Coal (KG/MT)	Soya Oil/Doc/Power	N.A.	109
	G.S.S.P.	34.21	34

II - Statement under Section 217(2A) of the Companies Act, 1956 ("the old Act") & corresponding Section 197 of the Companies Act, 2013 ("the new Act") & 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	59/35	01-09-84	41.47	Managing Director, M/s. Majestic Packaging (P) Limited, 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.