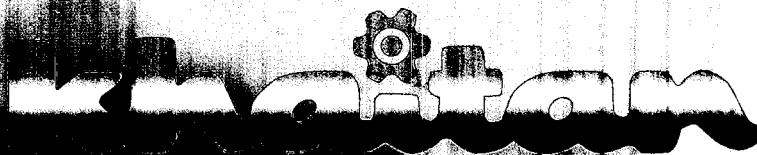


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# Seventeenth Annual Report and Accounts 1997-98



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**khaitan** electricals limited



CHAIRMAN

19th May, 1998

*Fellow Shareholders,*

In a difficult year like 1997-98, when most Corporates were struggling for their existence, your Company achieved higher sales and better profitability. But there is no room for complacency and we are continuously working for —

- making world class fans in attractive designs and colours.
- reducing costs and increasing production.
- increasing exports to existing countries and targetting new overseas markets.

The current year, in the wake of recent international developments, is going to be tough for the Industry. However, your Company expects to further improve its sale and profitability, if current trend is any indication.

Lastly, I assure you of our utmost concern for protecting and increasing the value of your investment in the Company.

With best wishes and regards,

(S. K. Khaitan)



## khaitan electricals limited

### BOARD OF DIRECTORS

Mr. S. K. Khaitan—Chairman

Mr. Sunil K. Khaitan—Vice Chairman & Mg. Director

Mr. S. P. Goenka

Mr. N. N. Lahiri

Mr. G. D. Shah

Mr. H. P. Budhia

Mr. M. G. Todi

Mr. A. K. Kajaria

Mr. N. C. Saha—Dy. Mg. Director

Mr. R. A. Lohariwala—Executive Director

Mr. G. R. Choudhary—Finance Director & Secretary

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHH	✓
YE	✓	✓		✓

### AUDITORS

M/s G. P. Agrawal & Co.

Chartered Accountants

### BANKERS

State Bank of Patiala

State Bank of Hyderabad

### REGISTERED OFFICE

"Everest" 20th Floor

46C, J. L. Nehru Road

Calcutta-700 071

### HEAD OFFICE & CALCUTTA WORKS

P-10, Transport Depot Road

Calcutta-700 088

### FARIDABAD WORKS

Plot No. 14, Sector-6

Faridabad-121 006

### BRANCHES

Ahmedabad, Calcutta Chandigarh, Cuttack, Faridabad Guwahati,

Indore, Jaipur, Kanpur, Mumbai, New Delhi & Patna



## NOTICE

### TO THE MEMBERS

Notice is hereby given that the Seventeenth Annual General Meeting of Khaitan Electricals Limited will be held on Thursday, the 23rd July, 1998 at 11.00 a.m. at the Somani Conference Hall of Merchants' Chamber of Commerce, 15-B, Hemanta Basu Sarani, Calcutta - 700 001 to transact the following business :

1. To consider and adopt the Audited Balance Sheet as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date together with the reports of Directors and the Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Mr. N. N. Lahiri, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. K. Khaitan, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

### Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself / itself and the proxy need not be a member.
2. An instrument appointing a proxy, in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the commencement of the Annual General Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 15th July, 1998 to 23rd July, 1998 (both days inclusive).
4. The Dividend as recommended by the Board, when approved, will be payable to those Shareholders, whose names appear in the Company's Register of Members as on 23rd July, 1998.
5. Members, desiring to seek any information about accounts, are requested to write to the Company at least 10 days in advance of the Annual General Meeting to facilitate compilation of the same.
6. Due to prohibitive cost of paper and printing, additional copies of Annual Report may not be available for distribution at the Annual General Meeting and hence the members are requested to bring their copies of Annual Report with them.
7. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the Financial Year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not encashed the dividend warrants for the said period, are requested to claim the amount from the Registrar of Companies, West Bengal.

Calcutta  
19th May, 1998

By Order of the Board  
G. R. Choudhary  
*Finance Director & Secretary*

**khaitan electricals limited****DIRECTORS' REPORT****TO THE MEMBERS**

Your Directors have pleasure in presenting their Seventeenth Annual Report and Audited Accounts of the Company for the year ended 31st March, 1998.

	1997-98 (Rs./Lacs)	1996-97 (Rs./Lacs)
Sales & Other Income was	<b>6,142.04</b>	6,017.78
Gross Profit was	<b>389.59</b>	275.07
From which is deducted :		
a) Depreciation	<b>44.20</b>	38.50
b) Provision for Taxation	<b>120.00</b>	83.00
Leaving a balance of	<b>225.39</b>	153.57
To which is added :		
Profit brought forward from the previous year	<b>167.32</b>	127.55
Making an available surplus of	<b>392.71</b>	281.12
Which is appropriated as under :		
- Transfer to General Reserve	<b>50.00</b>	50.00
- Proposed Dividend	<b>58.00</b>	58.00
- Dividend Tax	<b>5.80</b>	5.80
- Balance carried forward to the next year	<b>278.91</b>	167.32

**DIVIDEND**

Your Directors are pleased to recommend a Dividend of 10% on Equity Shares. The Dividend along with Dividend Tax, if approved by you, will absorb a sum of Rs. 63.80 lacs (Rs. 63.80 lacs).

**OPERATIONS**

Though the year 1997-98 was a difficult year for the industry as a whole, your Company could achieve better results by exercising strict control on inventories, interest and other overheads. The sales and other income during the year was higher at Rs. 6,142.04 lacs against Rs. 6,017.78 lacs of the previous year. The profit before interest and depreciation was Rs. 535.58 lacs (Rs. 446.85 lacs), while the net profit after depreciation and tax was 46.76% higher at Rs. 225.38 lacs against Rs. 153.57 lacs in the last year.

**EXPORTS**

The Company's exports during the year were 69.29% higher at Rs. 487.92 lacs against Rs. 288.21 lacs in the previous year. Looking into the ongoing trends, the Company hopes to further improve its export of fans.



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## DIRECTORS' REPORT (Contd.)

### PROBLEMS OF INDUSTRY

Despite growth in the demand of fans, the duty and tax paying manufacturers are suffering at the hands of tiny units due to unhealthy competition. The high incidence of Excise Duty and Sales Tax on fans has led to growth of fan assemblers in the garages, who are able to evade payment of duty and taxes. Moreover, they use substandard materials in lesser quantity, which results into poor quality of product. The ultimate sufferers are the Consumers and the Exchequer. Representations have been made to the Central and State Governments for reduction in duty and sales tax on fans. The Government should either exempt fans from payment of excise duty and sales tax or must bring all the tiny units within the tax net, so as to ensure healthy growth of fan industry which hold large potential for export.

### FUTURE OUTLOOK

The Company's factories at Calcutta and Faridabad are working satisfactorily. Looking into the ongoing trends, your Directors hope to report better results for the current year.

### REDEMPTION OF DEBENTURES

Pursuant to the terms of Issue, the 3rd and final instalment of 15% Non-convertible Debentures has been paid/redeemed on 30th April, 1998. Accordingly, all the Debentures have been fully redeemed and their face value stands at Nil.

### FIXED DEPOSIT

The Company did not accept any fixed deposit during the year under review. However, a sum of Rs. 2.67 lacs was lying deposited as on 31st March, 1998, out of which matured deposits of Rs. 1.82 lacs remained unclaimed.

### BUY BACK OF SHARES

A Special Resolution was passed at the last Annual General Meeting authorising your Directors to buy back the Company's Shares as and when the law permits. The Companies Bill 1997, containing the enabling provision to buy back the shares is yet to be passed. In the overall interest of the Shareholders and keeping in mind the present break-up value, future prospects etc., your Directors at their meeting held on 2nd March, 1998 took a conscious and unanimous decision that no sooner the law permits, the Company will buy back upto 25% of the Issued Share Capital from the willing Shareholders at a price not less than Rs. 15/- per Share, subject, however, to the relevant provisions of law.

### AUDITORS' REPORT

Notes referred to in the Auditors' Report are self-explanatory.

### SUBSIDIARY COMPANY

The Company has a Wholly-owned Subsidiary namely, Boiser Electricals and Appliances Limited. The information required Under Section 212 of the Companies Act, 1956 is enclosed.

## Khaitan electricals limited

### DIRECTORS' REPORT (Contd.)

#### DIRECTORS

Mr. N. C. Saha, Dy. Managing Director expressed his desire to resign from the services of the Company w. e. f. 1st July, 1998. In view of Mr. Saha's desire, the Board has accepted his resignation and accordingly Mr. Saha will vacate his office at the close of 30th June, 1998. The Board record its appreciation for the valuable services rendered by Mr. Saha during his long association with the Company.

The Directors, Mr. N.N. Lahiri and Mr. S.K. Khaitan retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

#### AUDITORS

Messrs. G. P. Agrawal & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

#### DISCLOSURE

Information, as required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is set out below :

- |  |   |   |
|--|---|---|
| A. Conservation of Energy                                    | : | Company's energy requirement is not large and the power consumption is in conformity with the industry norms. Hence, no special measures were taken.  |
| B. Technology Absorption                                     |   |   |
| 1. Specific areas in which R & D carried out by the Company  | : | Development of new shaped products, improvement in quality and productivity of existing products, adoption of new processes to reduce cost and rejections.  |
| 2. Benefits derived as a result of the above R & D           | : | Improvement in quality/performance, reduction in cost and introduction of new fan models.   |
| 3. Future Plan of Action                                     | : | To design and develop new range of fans and pumps.  |
| 4. Expenditure on R & D                                      |   |   |
| a) Capital   | : | Nil   |
| b) Recurring   | : | Rs. 6,87,836/-  |
| c) Total   | : | Rs. 6,87,836/-  |
| d) Total R & D expenditure as a percentage of total Turnover | : | 0.11%   |
| C. Foreign Exchange Earning & Outgo                          |   |   |
| 1. Activities relating to                                    | : | The Company exported Fans, Coolers and F.H.P. Motors etc. to various Middle East countries, Nigeria, Ghana, Yemen, Bangladesh, Sri Lanka, Mynamar etc. Efforts are on for increasing export to existing customers and for exporting to other countries. |
| 2. Total Foreign Exchange used and earned                    | : | Used – Rs. 1,14,76,456/-<br>Earned – Rs. 4,87,91,518/-  |



## DIRECTORS' REPORT (Contd.)

### PERSONNEL

The Directors place on record their appreciation for the devoted services rendered by the employees of the Company at all levels. Information, as required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended is set-out below :

Name	Designation and Nature of Duties	Remuneration (Rs.)	Qualification	Age and Experience	Date of joining	Particulars of Last Employment
Mr.Sunil K.Khaitan	Vice-Chairman & Managing Director	4,41,256/-	B. Com. (Hons) M. B. A	38 years & 19 years	1. 6.1981	Jt. Managing Director Khaitan Fans Pvt. Ltd.
Mr.N.C. Saha	Dy. Managing Director	3,41,861/-	B. Sc., B. Sc. (Elec. Engg.) Glasgow	61 years & 34 years	1. 6.1986	General Manager (Works) Manager (Works) Khaitan Fans Pvt. Ltd.
Mr.R.A.Lohariwala	Executive Director	3,06,422/-	B. A., B. Sc., LLB	47 years & 25 years	1.12.1994	General Manager (N) Khaitan (India) Ltd.

Note : Mr. Sunil K. Khaitan is Son of Mr. S. K. Khaitan, Chairman of the Company.

### ACKNOWLEDGEMENT

The Directors thankfully acknowledge the co-operation received by the Company from its bankers, licensors, wholesalers, suppliers and customers.

On behalf of the Board

S. K. Khaitan  
Chairman

Calcutta  
19th May, 1998

## khaïtan electricals limited

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### AUDITORS' REPORT TO THE MEMBERS OF KHAITAN ELECTRICALS LIMITED

We have audited the attached Balance Sheet of KHAITAN ELECTRICALS LIMITED as at 31st March, 1998 and the Profit & Loss Account of the Company for the year ended on that date annexed thereto and we report that —

- A. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
- B. Further to our comments in the Annexure referred to in paragraph 'A' above :
- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.
  - (c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.

Subject to the above and read together with Significant Accounting Policies appearing in Schedule 14 and other notes appearing in Schedule 15 of Notes on Accounts, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- (i) in the case of the Balance Sheet, of the state of the Company's affairs as at 31st March, 1998 and
- (ii) in the case of the Profit and Loss Account, of the PROFIT of the Company for the year ended on that date.

7A, Kiran Shankar Ray Road  
Calcutta - 700 001  
19th May, 1998

For G. P. AGRAWAL & CO.  
Ajay Agrawal  
Partner  
Chartered Accountants



## ANNEXURE

Referred to in paragraph 'A' of the Auditors' Report to the Members of KHAITAN ELECTRICALS LIMITED on the Accounts for the year ended 31st March, 1998.

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets. The Fixed Assets have been physically verified by the Management at the year end. To the best of our knowledge, no material discrepancies were noticed on such verification.
- (ii) None of the Fixed Assets have been revalued during the year.
- (iii) Physical verification has been conducted by the Management at reasonable intervals in respect of Finished Goods, Stores and Spare Parts and Raw Materials, except stocks lying with outside parties of which confirmations have been obtained with regard to a substantial portion of the stocks held.
- (iv) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (v) Discrepancies noticed on such physical verification have been properly dealt with in the books of the Company.
- (vi) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and the basis of valuation is same as in the preceding year.
- (vii) The Company has not taken any loan, secured or unsecured, from Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. There is no Company under the same management as defined under Sub Section (1-B) of Section 370 of the Companies Act, 1956.
- (viii) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which unsecured loan has been given to a Company listed in the Register maintained under Section 301 of the Companies Act, 1956 are not prima facie, prejudicial to the interest of the Company.
- (ix) The parties (including employees) to whom loans or advances in the nature of loans have been given by the Company are generally regular in repayment of the principal amount, wherever stipulated and are also regular in payment of interest, wherever applicable.
- (x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant & machinery, equipment and other assets and for the sale of goods.
- (xi) In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices, which are reasonable having regard to prevailing market prices for such goods, materials or services, as have been made with other parties.