

24th Annual Report and Accounts : 1999-2000



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khaitan electricals limited

CHAIRMAN

29th June, 2000

Fellow Shareholders,



I wish to apprise you that the fan industry is passing through difficult time due to increase in excise duty, unethical competition from tiny sector and recession in demand. Many of our competitors in the organised sector had to incur huge losses, while you and the Company could manage to make a reasonable profit despite drop in the sales. The Company has taken necessary measures to increase the demand of its products and I hope, the current year will prove to be better.

I am pleased to inform you that after issuing Bonus Shares in the ratio of 2:5, your Company's shares have been listed at National Stock Exchange (NSE) in addition to Mumbai, Calcutta and Hyderabad Stock Exchanges. As per SEBI's directives, your Company's shares will be compulsorily traded from 24th July, 2000 in D'Mat form. The Company has already made arrangements with NSDL and CDSL for depository system. These measures, I am sure, will improve the liquidity of our shares and eliminate the procedural delays.

As a member, you can legitimately expect to buy your Company's products at a concessional price and accordingly a Special Discount Cheque is enclosed for your use.

With best wishes and regards,

A handwritten signature in dark ink, appearing to be 'S.K. Khaitan'. The signature is fluid and cursive, with a horizontal line underneath the name.

(S.K. Khaitan)



khaitan electricals limited

BOARD OF DIRECTORS

S. K. KHAITAN - *Chairman*
SUNIL K. KHAITAN - *Vice Chairman & Mg. Director*
SAJJAN DABRIWAL - *Dy. Managing Director*
JYOTI P. TIBREWALA
O. SWAMINATHA REDDY
P. R. NEELAKANTAN
M. G. TODI
A. K. KAJARIA
R. A. LOHARIWALA - *Executive Director*
P. S. PRABHAKAR - *Executive Director*
G. R. CHOUDHARY - *Finance Director & Secretary*

CORPORATE OFFICE

'Everest' 20th Floor
46C, J. L. Nehru Road
Calcutta-700 071
☎ (033) 288 8391

REGISTERED OFFICE

A-13, Co-operative Industrial Estate
Balanagar, Hyderabad-500 037
☎ (040) 377 0640

AUDITORS

M/s. V. S. Rao & Co.
Chartered Accountants
M/s. G. P. Agrawal & Co.
Chartered Accountants

CALCUTTA WORKS

P-10, Transport Depot Road
Calcutta-700 088

BANKERS

State Bank of Travancore
State Bank of Patiala

HYDERABAD WORKS

129, Sri Venkateswara Co-op. Industrial Estate
IDA Bollaram-502 320 Medak Dist. (A.P.)

REGISTRARS &

SHARE TRANSFER AGENT

M/s. Sweta Computers Ltd.
Devaki Chambers
1-7-74/79, S.D. Road
Secundrabad-500 003
☎ (040) 784 2109
Fax: (040) 754 1015

FARIDABAD WORKS

Plot No. 14, Sector - 6
Faridabad-121 006 (Haryana)

BRANCHES

Ahmedabad, Bangalore, Calcutta, Chennai,
Cuttack, Faridabad, Guwahati, Hyderabad, Indore,
Jaipur, Kanpur, Kochi, Mumbai, New Delhi and
Patna.

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NOTICE

TO THE MEMBERS

The 24th Annual General Meeting of KHAITAN ELECTRICALS LIMITED will be held on Thursday, the 24th August, 2000 at 11.00 A.M. at Taj Residency (Formerly Holiday Inn) Road No. 1, Banjara Hills, Hyderabad - 500 034 to transact the following business :

1. To receive and adopt the Audited Balance Sheet as on 31st March, 2000 and Profit and Loss Account for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To approve the declaration and payment of interim dividend as final dividend.
3. To appoint a Director in place of Mr. S. K. Khaitan who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. G. R. Choudhary who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. R. A. Lohariwala who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint M/s. V. S. Rao & Co., Chartered Accountants, Hyderabad and M/s. G. P. Agrawal & Co., Chartered Accountants, Calcutta as Joint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special Resolution:

"Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered as follows:

- a. Insert the following Article as Article 40A after Article 40 :

Nomination by Securityholders : 40 A. A holder or joint holders of Shares in or Debentures (including Fixed Deposit holder under Section 58A of the Companies Act, 1956), of the Company may nominate, in accordance with the provisions of Section 109 A of the Companies Act, 1956 (including amendment thereto or any re-enactment thereof) and in the manner prescribed there under, any person to whom all the rights in the Shares or Debentures of the Company shall vest in the event of death of such holder(s). Any nomination so made shall be dealt with by the Company in accordance with and in manner prescribed under the provisions of Section 109B of the Companies Act, 1956 or any other statutory modification or re-enactment thereof for the time being in force.

- b. Insert the following Article as Article 40B after Article 40A :

Transmission of Securities by Nominees : 40B. A nominee, upon production of such evidence as may be required by the Board and subject to hereinafter provided: i) elect, either to be registered himself/herself as holder of the Share or Debenture (including Fixed Deposit holder under Section 58 A of the Companies Act, 1956) or to make such transfer of the Share or Debenture as the deceased Shareholder or Debentureholder, as the case may be, could have made ;

khaitan electricals limited

ii) if the nominee elects to be registered as holder of the Share or Debenture, himself/herself, as the case may be, he/she shall deliver or send to the Company a notice in writing signed by him/her stating that he/she so elects and such notice shall be accompanied with the death certificate of the deceased Shareholder or Debentureholder, as the case may be ;

iii) a nominee, upon becoming entitled to a Share or Debenture by reason of the death of the holder, shall be entitled to the same dividends and other advantages to which he/she would be entitled to, if he/she were the registered holder of the Share or Debenture except that he/she shall not, before being registered a member in respect of his Share or Debenture, be entitled, in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself/herself or to transfer the Share or Debenture, and if the notice is not complied with within ninety- days, the Board may there after withhold payment of all Dividends, Bonuses or other moneys payable in respect of the Share or Debenture, until the requirements of the notice have been complied with."

By Order of the Board

Calcutta
29th June, 2000

G. R. CHOUDHARY
Finance Director & Secretary

NOTES :

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under item 7 set out above is annexed hereto.
2. 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 of the Company. Proxies, in order to be effective, must be received at the Registered Office of the Company, atleast 48 hours before commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 17th August, 2000 to 24th August, 2000 (both days inclusive).
4. Members are requested to bring along their copies of the Annual Report in the meeting.
5. Members, who have not encashed their dividend warrants for the financial years commencing from 1st April, 1995 are requested to approach the Company for obtaining duplicate Dividend Warrants.
6. Members, desiring to seek any information on the annual accounts at the meeting, are requested to write to the Company atleast 10 days in advance of the meeting to facilitate.



ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

The following Explanatory Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice dated 29th June, 2000.

ITEM NO. 7

As per the provisions of Section 109A and 109B of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 1999, every holder of shares in, or debentures of the Company may at any time nominate in the prescribed manner, a person to whom his/her shares in, or debentures of the Company shall vest in the event of his/her death.

It is therefore, proposed to insert new Article 40A and 40B in the Articles of Association of the Company to give effect to the said provisions as detailed in the Special Resolution. The Board of Directors recommend to the Shareholders to adopt the proposed resolution as a Special Resolution.

None of the Directors of the Company are concerned or interested in the said resolution. A copy of the existing Articles of Association of the Company together with a copy of proposed amendments will be open for inspection by Shareholders at Registered Office of the Company situated at A-13, Co-operative Industrial Estate, Balanagar, Hyderabad-500 037, between 10.30 a.m. and 12.30 p.m. on any working day.

By Order of the Board

Calcutta
29th June, 2000

G. R. CHOUDHARY
Finance Director & Secretary

IMPORTANT

AS INFORMED MEMBERS ARE ONCE AGAIN REQUESTED TO SURRENDER THEIR OLD SHARE CERTIFICATE/S FOR EXCHANGE WITH THE NEW SHARE CERTIFICATE.

FOR INFORMATION OF SHAREHOLDERS

The Company's equity shares are listed at the following Stock Exchanges in India :

1. The Hyderabad Stock Exchange Limited (Regional Stock Exchange) Himayathnagar, Hyderabad-500 029.
2. The Calcutta Stock Exchange Association Limited 7, Lyons Range, Calcutta-700 071.
3. The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001.
4. National Stock Exchange of India Limited, Trade World, Senapati Bapat Marg, Lower Parel, Mumbai-400 053.

NOTE : The Company has paid annual listing fees to all the above Stock Exchanges for the Financial Year 1999-2000.

DIRECTORS' REPORT**TO THE MEMBERS**

Your Directors have pleasure in presenting their 24th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2000.

FINANCIAL RESULTS

	1999-2000 Rs.	1998-1999 Rs.
Sales & Other Income was	1,05,15,33,887	1,19,25,26,338
Gross Profit for the year was	6,81,14,633	10,43,10,522
From which is deducted		
a) Depreciation	1,19,02,632	1,12,86,345
b) Provision for Income-tax	1,40,00,000	3,25,00,000
	2,59,02,632	4,37,86,345
Leaving a balance of	4,22,12,001	6,05,24,177
To Which is added profit brought forward from previous year	2,70,13,843	1,43,80,966
Making an available surplus of	6,92,25,844	7,49,05,143
Which is appropriated as under		
a) Transfer to General Reserve	2,02,00,000	3,54,33,800
b) Interim Dividend	1,58,55,000	—
c) Proposed Dividend	—	1,13,25,000
d) Dividend Tax	17,44,050	11,32,500
Leaving a balance to be carried forward	3,14,26,794	2,70,13,843

DIVIDEND

The Directors at their meeting held on 23rd March, 2000 recommended payment of Interim Dividend @ 15% for the year 1999-2000 on the increased capital, consequent upon issue of Bonus Shares in the ratio of 2:5. Such Interim Dividend was paid to the Shareholders whose names appeared on the Register of Members on 16th May, 2000. The Interim Dividend along with tax thereon has absorbed a sum of Rs. 175.99 lacs against the dividend amount of Rs. 124.57 lacs in the previous year. The Directors recommend that this be considered as the final dividend for the year under review.

OPERATIONS

The sales and other income was lower by 12% at Rs. 105.15 crores against Rs. 119.25 crores in the previous year. The profit before depreciation and tax also dropped to Rs. 6.81 crores (Rs. 10.43 crores). After providing Rs. 1.19 crores for depreciation (Rs. 1.13 crores) and Rs. 1.40 crores for income tax (Rs. 3.25 crores), the net profit stood at Rs. 4.22 crores, against Rs. 6.05 crores of last year.



DIRECTORS' REPORT (Contd.)

The performance during the year was adversely affected due to the following reasons :

- i) The Company's Calcutta Factory, which was gutted by fire on 6th May, 1999 resumed the normal production only from December, 1999 due to delay in various formalities and disbursement of insurance claim. During this period, the Company had to make alternate arrangement for purchase/production of fans at other manufacturing units. This increased cost of production, as the Company's overheads at Calcutta Factory largely remained fixed and could not be absorbed. The insurance claim was finally received after 10 months on 31st March, 2000.
- ii) The workmen of Company's Bollaram Unit near Hyderabad went on illegal strike from 20th January, 2000 (which continued upto 9th April, 2000) demanding unreasonable and irrational increase in wages and perquisites. Though the Company took requisite measure to step up production at its other plants at Calcutta and Faridabad, the production remained suspended during the peak period at Bollaram Factory, thereby affecting its performance. The agreement with the workmen and their Union was finally concluded on 3rd May, 2000, which is binding upto 31st March, 2004.
- iii) The excise duty on fans was increased from 13% to 16% from 1st March, 1999 and the same was made applicable on the basis of Maximum Retail Price (MRP). This increase in excise liability of the Company by about 45%, could not be passed on fully due to sluggish demand and unethical competition being faced from the Tiny Sector.

CURRENT OUTLOOK

The outlook for the current year appears to be promising, as most of the Company's competitors in the Organised Sector have suffered huge losses and their competing power has eroded. Barring unforeseen circumstances, your Directors expect the Company to report better working results for the current year.

BONUS SHARES

30,20,000 Bonus Shares in the ratio of 2:5 i.e. two fully paid Equity Shares of Rs. 10/- each for every five Share held by the Members on 10th December, 1999 (Record Date) were allotted and issued during the year. The Post-Bonus Paid-up Capital of the Company has increased from Rs. 7.55 crores to Rs. 10.57 crores.

DEMATERIALISATION OF SHARES

During the year under review, the Company signed agreements with National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) for joining the Depository System. As per SEBI directives, the Company's Shares will be compulsorily traded in Dematerialised Form from 24th July, 2000 onwards.

LISTING AT NATIONAL STOCK EXCHANGE

To provide easy liquidity to the investors, the Company's shares have also been listed at National Stock Exchange Ltd. besides being listed at Hyderabad, Calcutta and Mumbai Stock Exchanges.

khaitan electricals limited**FIXED DEPOSIT**

The Company did not accept/renew any Fixed Deposit during the year under review. However 8 nos. of matured deposits totalling to Rs. 80,000/- were lying with the Company unclaimed as on 31st March, 2000 and are yet to be claimed.

SUBSIDIARY COMPANY

During the year, Boiser Electricals and Appliances Ltd. ceased to be a subsidiary of your Company. Shareholdings in Boiser Electricals and Appliances Ltd. being less than 50% at the year end, no statement is required to be made under Section 212 of the Companies Act, 1956.

DIRECTORATE

Sri S. K. Khaitan, Sri G. R. Choudhary and Sri R. A. Lohariwala, Directors of the Company retire by rotation and, being eligible, offer themselves for re-election.

AUDITORS

M/s. V. S. Rao & Co., Chartered Accountants and M/s. G. P. Agrawal & Co. Chartered Accountants, Joint Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Y2K COMPLIANCE

No software or hardware problem relating to the Y2K were reported during the course of transition to the new millennium.

DISCLOSURES

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 as under :

- | | | |
|---|---|--|
| 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 models/products/ processes, improvement in the quality and productivity of the existing products. |
| 2. Benefits derived as a result of the above R & D | : | Improvement in quality and productivity of the products. |
| 3. Future Plan of Action | : | To design and develop new models of fans, coolers and power efficient motors. |



DIRECTORS' REPORT (Contd.)

4. Expenditure on R & D

a) Capital	:	NIL
b) Recurring	:	Rs. 9.64 lacs
c) Total	:	Rs. 9.64 lacs
d) Total R & D Expenditure as a percentage of Total Turnover	:	0.09%

C. Foreign Exchange Earning and Outgo

- Activities relating to Exports, initiatives : The Company exported its Fans, Coolers and F.H.P. Motors etc. to various Middle East Countries, Nigeria, Ghana, Yemen, Bangladesh, Sri Lanka, Mynamar, etc. Efforts are taken to increase exports, development of new export markets for products and services and export plans. on for increasing exports to the existing customers and for exporting to new countries.
- Total Foreign Exchange used : Used - Rs. 189.62 lacs
and earned : Earned - Rs. 631.61 lacs

PERSONNEL

Relations with the employees remained cordial and harmonious. Your Directors wish to place on record, their sincere appreciation for the dedicated 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 the Companies (Particulars of Employees) Rules, 1975 as amended are set out as under:

Name	:	Sunil K. Khaitan
Designation & Nature of Duties	:	Wholetime Vice-Chairman & Managing Director
Remuneration	:	Rs. 18,96,733/-
Qualification	:	B. Com. (Hons.), M.B.A.
Age & Experience	:	40 years & 21 Years
Date of Joining	:	01.11.1998
Particulars of Last Employment	:	Vice Chairman & Managing Director of erstwhile Khaitan Electricals Limited

ACKNOWLEDGEMENTS

The Directors record their appreciation for the co-operation and support extended to the Company by its Bankers, Licensors, Wholesalers, Customers, Suppliers and Members.

On Behalf of the Board

S. K. KHAITAN
Chairman

Calcutta
29th June, 2000