



35th ANNUAL REPORT 2010-2011

**khaitan** electricals limited

**DIRECTORS' REPORT  
INCLUDING MANAGEMENT DISCUSSION****TO THE MEMBERS**

Your Directors are delighted to present 35<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2011.

<b>FINANCIAL RESULTS</b>	<b>2010-2011 (Rs in Lacs)</b>	<b>2009-2010 (Rs in Lacs)</b>
Sales	48928.13	37231.11
Gross Profit for the year	1132.62	727.39
Less : Depreciation	(177.45)	(165.24)
Profit before Tax & Exceptional item	955.17	562.15
Less: Exception item	(75.99)	--
Profit after Exceptional item	879.18	562.15
Less: Provision for Income-tax		
For current year- Current Tax	(320.00)	(100.00)
Deferred Tax	(9.23)	(161.17)
MAT Credit Entitlement	--	55.00
For earlier years- Income Tax	0.69	3.25
Profit after Tax	328.54	(202.92)
Add: Balance in Profit and Loss Account	550.64	359.23
Amount available for Appropriation	432.31	73.08
Appropriation		
a) Transfer to General Reserve	490.87	--
b) Proposed Dividend	172.50	--
c) Tax on Dividend	28.65	--
Balance carried to Balance Sheet	290.93	432.31
Earnings Per Share (in Rs.)	<b>4.79</b>	<b>3.12</b>
Cash Earnings Per Share (in Rs.)	<b>6.33</b>	<b>4.56</b>

## **KHAITAN ELECTRICALS LIMITED**

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### **DIVIDEND**

The Directors have recommended a dividend of Rs.1.50 (Previous Year Rs. Nil ) per Share for the year 2010-11. The Dividend if approved by you, will absorb a sum of Rs.201.15 lacs including Tax on dividend against the amount of Rs. Nil in the previous year.

### **FINANCIAL REVIEW**

The year 2010-11 brought a note of satisfaction with significant growth in business volumes and margins. Cost of inputs, more particularly metals witnessed volatility leaving its mark on bottom line of the Company.

#### **Sales**

Sale of the year ended March 31<sup>st</sup>, 2011 improved to Rs. 489.28 Crores, compared to Rs. 372.31 Crores in the previous year registering a growth rate 31%. Steep hike in various inputs costs extended to this financial year and impacted company's bottom line and its operating profits for the year up at Rs. 11.33 Crores against Rs. 7.27 Crores for the previous year.

#### **Other income**

Other income consists of, export incentives, cash discount, claims received etc.

#### **Financial Expenses**

Net Financial expenses for the year was to Rs. 17.82 Crores as against Rs. 15.53 Crores in the Previous Year.

#### **Depreciation**

Depreciation was at Rs.1.77 Crores compared to Rs.1.65 Crores in the previous year.

## KHAITAN ELECTRICALS LIMITED

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### Earning per Share

Earnings Per Share (EPS) stood at Rs.4.79 compared to EPS of Rs. (3.12) in the previous year. The cash earned stood at Rs. 6.33 as against Rs. (4.56) in the previous year.

### CASH FLOW ANALYSIS

Rs. in lacs

Source of cash	2010-11	2009-10
Cash from operations	2659.35	1974.72
Increase in Borrowings	5641.97	3181.64
Inter Corporate Deposits	--	188.35
<b>Total</b>	<b>8301.32</b>	<b>5344.71</b>

Use of Cash	2010-11	2009-10
Net capital expenditure	246.52	373.51
Interest Paid (Net)	1458.91	1196.84
Tax paid	86.12	41.56
Increase/(Decrease) in Cash & Cash Equivalents	94.70	689.43
Increase/(Decrease) in Working Capital	4805.74	3043.37
Inter Corporate Deposits	1609.33	--
<b>Total</b>	<b>8301.32</b>	<b>5344.71</b>

### **INDUSTRIAL STRUCTURE**

The fan industry registered significant growth in demand during 2010-11. The market continued to witness intense competitive activities and faced severe challenges on the cost front due to high metal and input prices.

### **HUMAN RESOURCES**

The Company employed good human resources practices. The Company is enjoying good and congenial industrial relations at all of its plants. As on 31<sup>st</sup> March, 2011, the total permanent employees were 731.

### **SAFETY ENVIRONMENT AND POLLUTION CONTROL**

The Company continuously works on high safety standards and a clean environment free from pollution. The manufacturing process does not generate effluents.

### **ISO 9001**

The Plant of your Company located at Hyderabad and Kolkata are presently ISO 9001:2008 certified.

### **CURRENT OUTLOOK**

Our ability to sustain improved scale of operations may significantly improve margins. Though the Company is optimistic about the outlook for the Current Year, the unabated increase in input costs is a major cause of concern.

However the company is making all out efforts for maintain it s growth trend with renewed thrust on reduction in cost. The company continues its efforts to introduce many more products and designing new business Formats for generation of higher revenues.

### **RISKS AND CONCERNS**

Currency fluctuations may also affect metal prices and may cause pressure on our margins. No threat is witnessed from imports.

Though the Company is realigning its products by reengineering and mitigating the impact of rising cost, the steep rise in input cost is a big cause of concern No. threat is witnessed from inputs.

With no sign of stability in input prices, the company looks forward year 2011-12 with great caution.

## **KHAITAN ELECTRICALS LIMITED**

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### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company remains committed to maintain its internal control system and procedures to provide reasonable assurances for efficient conduct of business and security of its assets. The Company has an elaborate budgetary control system and actual performance is consistently monitored by the Management. The Company has a well defined organizational structure, authority levels and internal guidelines and rules.

### **FIXED DEPOSITS**

The Company did not accept/renew any Fixed Deposit during the year under review and there were no outstanding Deposits.

### **TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND**

Pursuant to the provisions of section 205A(5) of the Companies Act, 1956, dividends which remained unpaid or unclaimed for a period of 7 years have been transferred by the company to the Investor Education and Protection Fund.

### **DIRECTORATE**

Sri S.K.Khaitan, Sri V.K.Rungta and Sri Jyoti P.Tibrewala, Directors of the Company retire by rotation and being eligible offer themselves for reappointment.

### **CORPORATE GOVERNANCE REPORT**

A separate report on Corporate Governance is furnished as a part of the Annual Report and the certificate from the Company's Auditors regarding compliance with the said code is annexed to the said Report.

### **COST AUDITORS**

Pursuant to provisions of Section 233(B) of the Companies Act, 1956 necessary application was submitted to the Department of Company Affairs for the appointment of M/s.Prasad & Company, Cost Accountants as Cost Auditors to audit the cost accounts maintained by the Company for the year ending 31<sup>st</sup> March, 2011.

### **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.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Sub Section 2 (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) the Directors had 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 at the end of the Financial Year and of the profit of the Company for that period.
- iii) the Directors took proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The Directors had prepared the annual accounts on a going concern basis.

**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                                    | : | The 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 as well as low-cost models of fans, high speed fans and power-efficient motors.  |

## AUDITORS' REPORT

To  
The Members of  
Khaitan Electricals Limited

We have audited the attached Balance Sheet of Khaitan Electricals Limited as at 31<sup>st</sup> March, 2011 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and the Cash Flow Statement for the year ended on that date. These financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of audit.;
- ii. 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 those books ;
- iii. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards, referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable ;
- v. On the basis of written representations received from the Directors of the Company as on 31<sup>st</sup> March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as Director in terms of clause (g) of sub-section(1) of Section 274 of the Act ; and
- vi. 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 Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011;
  - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date, and
  - c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **V S Rao & Co.**  
Chartered Accountants  
F.R.No.003157S

For **G P Agrawal & Co.**  
Chartered Accountants  
F.R.No.302082E

**CA. V G Tarak Nath**  
Partner  
Membership No.23302

**CA. Ajay Agrawal**  
Partner  
Membership No. 17643

Date: 28<sup>th</sup> May, 2011



**ANNEXURE TO THE AUDITORS' REPORT**  
**(Referred to in our report of even date)**

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) According to the information and explanations given to us, the fixed assets were physically verified by the Management in a phased periodical manner which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- c) In our opinion, and according to the information and explanations given to us, no substantial part of fixed assets has been disposed of by the Company during the year.
- ii) a) Physical verification has been conducted by the management at reasonable intervals in respect of inventory of raw materials, stores and spare parts, stock-in-process and stock-in-trade in the Company's possession. The existence of stocks lying with third parties as at 31<sup>st</sup> March, 2011 has been substantially confirmed based on confirmations or statements of account received from such third parties. In our opinion, the frequency of physical verification is reasonable.
- b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed between the physical inventory as verified and the book records were not material.
- iii) a) The Company has not given any loan during the year to companies, firms or other parties covered in the register maintained under section 301 of the Act. Consequently, the provisions of para (iii) (a),(b),(c) and (d) of the Order are not applicable.
- b) The Company has not taken any loan during the year from companies, firms or other parties covered in the register maintained under section 301 of the Act. Consequently, the provisions of para (iii) (e),(f) and (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Act, have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act, except where suitable alternative sources do not exist for obtaining comparable quotations, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

- vi) The Company has not accepted any deposit from the public within the meaning of Section 58A and 58AA of the Act and the rules framed there under.
- vii) In our opinion the existing internal audit system employed by the Company is commensurate with the size of the Company and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under Section 209(1)(d) of the Act. We are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- ix) a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited by the Company during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31<sup>st</sup> March, 2011 for a period of more than six months from the date of becoming payable.
- b) The disputed statutory dues aggregating to Rs. 755.53 lakhs that have not been deposited on account of disputed matters pending before appropriate authorities are as under :

Name of the Statute	Nature of the Dues	Amount (Rs. In Lacs)	Period	Forum where dispute is pending
State Sales Tax/ Central Sales Tax	Sales Tax Penalty	444.28	1991-92, 1993-94 to 2008-09	AC, DC, Commissioner, Revision Board of Comm. Taxes, Tax Tribunal, High Court.
Central Excise Act	Central Excise Duty Penalty	7.37	2000-01	Tribunal
		225.89	2001-02 2007-08	Tribunal
		0.18	2008-09	Commissioner of Central Excise
Urban Development Act	Extension Fee	71.03	1981-2002	Administration of Haryana Development Authority.
Employees State Insurance Act	ESI Contribution	6.78	1994-95	ESI Court
Total		755.53		