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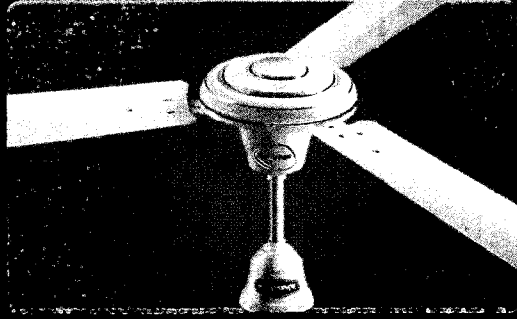
66th

**Annual Report & Accounts
2002-03**



khaitan (India) Limited

The name is enough



features

EPRO

with

Khaitan Fans

INTRODUCING



Khaitan (India) Limited

Regd. Office: 46C, J. L. Nehru Road, Kolkata 700 071
Phone : (033) 2288 8391, **Fax :** 91 33 2288 3961

BOARD OF DIRECTORS

S. K. KHAITAN, Chairman
SUNIL K. KHAITAN, Vice-Chairman
S. K. TODI
R. S. GOENKA
M. K. JALAN
Dr. V. K. RUNGTA
A. K. KEDIA
S. BAFNA, Executive Director
P. P. TIBREWAL, Finance Director

COMPANY SECRETARY

R. P. AGARWAL

AUDITORS

CHATURVEDI & CO.
Chartered Accountants

BANKERS

STATE BANK OF PATIALA
BANK OF BARODA

SUGAR & AGRICULTURE DIVISIONS

Office:

7, Red Cross Place, Kolkata 700 001
Phone: (033) 2210 3331, Fax: 91 33 2248 7516

Sugar Mill:

Khaitan Nagar 741 157
Plassey (Nadia), West Bengal
Phone: (03474) 262345/6/7

Agriculture Division:

Ramnagar 742 163
(Murshidabad), West Bengal
Phone: (03482) 242233

BRANCHES OF MARKETING DIVISION

Ahmedabad, Cuttack, Chandigarh, Guwahati, Jaipur,
Kanpur, Kochi, Kolkata, Mumbai, New Delhi and
Rishikesh.



NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Sixtysixth Annual General Meeting of Khaitan (India) Limited will be held on Monday, the 18th August, 2003 at its Registered Office at Everest House, 20th Floor, 46C, J. L. Nehru Road, Kolkata 700 071 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Profit & Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. K. Todi, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. M. K. Jalan, who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors and to fix their remuneration.

Registered Office :
46C, J. L. Nehru Road
Kolkata 700 071
the 12th June, 2003

By Order of the Board

R. P. AGARWAL
Company Secretary

NOTES :

1. A Member entitled to attend and vote at the Meeting is entitled to appoint proxy to attend and vote instead of himself/herself/itself and the proxy need not be a Member. The instrument of Proxy should be deposited at the Registered Office of the Company, not later than 48 hours before commencement of the Meeting.
2. Members/Proxies should fill in and sign the attendance slips and deposit at the entrance of Meeting Hall, before attending the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 12th August to 18th August, 2003 (both days inclusive).
4. Members, desiring any information about accounts or otherwise, are requested to write to the Company, at least 10 days in advance of the Annual General Meeting, to facilitate compilation thereof.
5. **The Shareholders, who have still not yet surrendered their Share Certificates of Khaitan Agro Complex Limited and/or The Ramnugger Cane & Sugar Company Limited for exchange with new Share Certificates of Khaitan (India) Limited are once again reminded to submit the same directly to the Company's Office at 7, Red Cross Place, Kolkata 700 001 and get the same exchanged.**

DIRECTORS' REPORT
INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT
TO THE MEMBERS OF
KHAITAN (INDIA) LIMITED

Your Directors have pleasure in presenting their Sixtysixth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

| | 2002-03 Rs./Lacs | 2001-02 Rs./Lacs |
|--|---------------------|---------------------|
| Sales & Operating Income were | 9,322.64 | 9,359.88 |
| Profit for the year was | 233.17 | 285.51 |
| From which is deducted : | | |
| Depreciation | (76.15) | (78.85) |
| Provision for Tax | (0.10) | (5.00) |
| Leaving a Balance of | 156.92 | 201.66 |
| To which is added : | | |
| Deferred Tax | 0.73 | (21.26) |
| Income Tax for earlier years | (14.03) | (17.04) |
| Prior Period Expenses | (0.14) | (0.14) |
| Depreciation Written back | — | 0.18 |
| Deferred Tax Asset created during the year | — | 69.77 |
| Profit Brought Forward from previous year | 257.78 | 124.61 |
| Making an available surplus of | 401.26 | 357.78 |
| Which is appropriated as under: | | |
| Transfer to General Reserve | 100.00 | 100.00 |
| Balance Carried Forward to next year | 301.26 | 257.78 |
| | 401.26 | 357.78 |

DIVIDEND

In view of fund requirement of the Company, your Directors regret their inability to recommend any dividend for the year.

OPERATIONS

Performance of all the Divisions are as under:

Marketing Division: Above 50% of the sales of electrical fans etc. takes place during last quarter of the Financial Year. The Union Budget stipulated implementation of VAT (Value Added Tax) throughout the country with effect from 1st April, 2003. However, there were no clear-cut guidelines on input tax credit against stocks purchased prior to 1.4.2003 which led to confusion in the minds of dealers while making purchases in the month of March, 2003. As a result, sales during the month of March was badly affected which had a negative impact on turnover and profit of this Division. The turnover during the period under review was Rs. 8,128 lacs as compared to the last year's Rs.8,466 lacs. The income from Royalty and Technical Know-how was higher at Rs.195 lacs against Rs.138 lacs of last year. Considering all the factors the overall performance of this division was satisfactory.



DIRECTORS' REPORT INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

Sugar Division: The Crushing Operations for the season 2002-03 was started on 20th November, 2002 which was continued for 104 days compared to the last year's 67 days. The crushing was also all time higher at 9.15 lac quintals against 5.67 lac quintals of previous year. The production was higher at 77,185 quintals of Sugar (last year 46,864 quintals) with recovery of 8.44% (last year 8.27%). However, the prevailing sugar prices were much lower by around Rs. 200/- per quintal compared to last year's average price, which prevented this Division to turn around.

Agriculture Division: Due to the timely rains and better supervision, the Agriculture Division could achieve higher production and profit compared to last year.

Your Directors had received a Notice from Land & Land Reforms Dept., Govt. of West Bengal to vest the Company's land leaving only 1,793 Acres of land. The Company had filed a Writ petition under Article 226 of the Constitution in Hon'ble Calcutta High Court and obtained a Stay Order against the aforesaid Notice.

During the year 19,500 trees were planted. About 2,49,994 trees out of those planted in last 12 years were standing as on 31.03.2003. Proper care is being taken to provide long term benefit to the Company.

Interest: Net interest expenditure reduced from Rs.221.88 lacs to Rs.195.12 lacs mainly due to repayment of borrowings. The Company made early repayment against term loan at high rate of interest to IDBI by paying re-structuring fee of Rs. 2.30 lacs.

CASH FLOW ANALYSIS

Rs./lacs

| Source of Cash | 2002-03 | 2001-02 |
|--|---------|---------|
| Cash from Operations | 393.65 | 498.64 |
| Decrease in Working Capital | 68.83 | (3.17) |
| Dividend/Interest Income | 34.73 | 24.45 |
| Decrease/(Increase) in Cash & Cash equivalents | 47.01 | (57.19) |
| Total | 544.22 | 462.73 |
| Use of Cash | | |
| Purchase of Investment (net) | 4.12 | 18.45 |
| Purchase of Fixed Assets (net) | 140.42 | 82.43 |
| Repayment of Borrowings | 383.15 | 343.74 |
| Income Tax | 16.39 | 18.15 |
| Others | 0.14 | (0.04) |
| Total | 544.22 | 462.73 |

Industrial Structure: The unorganised sector in Fan Industry is flourishing day by day due to low cost of production. They use inferior material and circumvent compliance of taxes and duties making the gap between the prices of both sectors quite high. To compete with, the organised sector is also putting its attention to low cost fans and consolidation is expected to take place in future years.

India is one of the largest producers of sugar in the World but the high cost of production does not allow to compete the producers in international market. The prevailing market prices during the current season was down by around Rs.200/- per quintal than last year. Besides;

the Statutory Minimum Price (SMP) of Sugarcane for 2002-03 which was fixed at Rs.64.50 per quintal was increased to Rs.69.50 per quintal by the Central Government. This increase was a blow to the industry because the industry was badly suffering from low market prices of sugar. Recently the Government has made necessary amendment in Essential Commodities Act, which should result in improving the Sugar prices in time to come.

Internal Control Systems: The Company has a well defined organisational structure, authority levels, guidelines and manuals which provides adequate internal control systems at all levels to conduct business operations efficiently and to safeguard Company's assets. The Company also has adequate budgetary control system and actual performance is monitored by the management consistently.

Human Resources : The Company believes that its employees are a vital resource in the current business environment. The Company is enjoying good and congenial industrial relations at all the Divisions of the Company. As on 31st March, 2003, the total permanent employees were 345 Nos.

Pollution Control: The effluent generated at Company's Sugar Mill is treated from the effluent treatment plant installed. The Company believes in clean environment free from pollution.

CURRENT OUTLOOK

Marketing Division: The market response of low priced fans introduced by the Company under the brand name of 'ZOLTA', had been quite encouraging. The Company has now decided to launch new fans under premium segment with 'EPRO' (Effective and Positive Rated Output) features, which would be helpful to increase the market share of the Company. Besides, ongoing measures to control overheads of the Company should enable this Division to perform better in the current year.

Sugar Division: The cultivators of the area have understood the importance of Sugarcane crop and are inclined to grow more Sugarcane being the cash rich crop. This year too, the growers have put Sugarcane crop in preference to other crops. Though irregular rains have affected the crop to some extent but timely arrival of monsoon is likely to provide support to the growth of standing sugarcane crop. Your Directors hope to get higher quantity of sugarcane barring unforeseen circumstances.

Agriculture Division : From the sowing of the crop, the rains are eluding which has slowed down the growth of standing sugarcane crop. However, on arrival of monsoon, it is hoped that the standing crop will pick up its growth and production in captive farms will be higher which will improve the performance of your Agriculture Division.

Risks & Concerns: The main threat to the Fan Industry is from the unorganised sector whose cost is much lower due to sub-standard material and avoidance of taxes and duties. The Sugar and Agriculture divisions are mainly based on agri-products which are directly dependant on nature. Heavy rains and no rains both the situations have negative impact on the standing sugarcane crop.

Fixed Deposits: Fixed Deposits from the public and employees accepted by the Company stood at Rs.35.64 lacs as on 31st March, 2003. Matured deposits of Rs.1,07,500/- were lying unclaimed with the Company as on 31.03.2003 despite reminders sent to the depositors.

Auditors' Report: The Notes to the Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further explanation.



DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

Directors' Responsibility Statement:

The Board of Directors of your Company confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed ;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements 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) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors had prepared the annual accounts on a going concern basis.

Corporate Governance Report: A separate report on Corporate Governance is incorporated as a part of the Annual Report and the Auditors' Certificate on compliance under Clause 49 of the Listing Agreement is annexed to the said report.

Directors: Mr. S. K. Todi and Mr. M. K. Jalan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Cost Auditors: The cost accounts of Sugar Division of your Company are subject to yearly audit by qualified Cost Auditors. Your Company has appointed M/s. Prasad & Co., qualified Cost Auditors for conducting the audit of cost accounts for the financial year 2002-03 and applied to the Central Government for approval of their appointment. The approval is, however, still awaited.

Auditors: M/s. Chaturvedi & Co., Chartered Accountants and various Branch Auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Personnel: Relations with the employees were cordial. Your Directors wish to thank the employees of the Company at all levels for the dedicated services rendered by them. During the year, there was no employee, whose remuneration exceeded the limit specified under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended upto date.

Other Information: The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished in the Annexure to the Report.

Acknowledgement: Your Directors place on record their appreciation for the continued co-operation and support extended by the Government of West Bengal, WBIDC, IDBI, State Bank of Patiala, Bank of Baroda, cane growers, suppliers, dealers all over the country, depositors and the shareholders.

For and on behalf of the Board

S.K.KHAITAN
Chairman

Kolkata
the 12th June, 2003

ANNEXURE TO DIRECTORS' REPORT

Information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

I. Power and Fuel Consumption

1. Electricity

a) Purchased Units (in lacs)

Total Amount (Rs. in lacs)

Rate per unit (Rs.)

b) Own Generation

i) Through Diesel Generator

Units (in lacs)

ii) Through Steam Turbine/Generator

Units (in lacs)

Units Per Litre of Fuel } Bagasse, being

Cost per Unit } by-product, is used
as fuel and hence
no separate cost to
the factory

2. Coal

3. Furnace Oil

4. Others/Internal Generation

Quantity of Fire Wood (Metric Tonnes)

Total Value (Rs. in lacs)

Rate per Unit (Rs.)

II. Consumption per Unit of Production

Product - Sugar (Qtls.)

Electricity (Units/Qtls. of Sugar)

Furnace Oil

Coal

Others

| | 2002-03 | 2001-02 |
|--|---------|---------|
| | 6.54 | 4.10 |
| | 28.91 | 19.29 |
| | 4.42 | 4.70 |
| | | |
| | 4.92 | 4.09 |
| | | |
| | 3.51 | 2.86 |
| | | |
| | | |
| | | |
| | N.A. | N.A. |
| | N.A. | N.A. |
| | | |
| | 3,276 | 2,177 |
| | 28.59 | 17.74 |
| | 4.08 | 4.03 |
| | | |
| | 74,826 | 45,503 |
| | 24.67 | 27.67 |
| | N.A. | N.A. |
| | N.A. | N.A. |
| | N.A. | N.A. |
| | N.A. | N.A. |

B. TECHNICAL ABSORPTION

I. Research & Development (R & D):

a) Specific areas which R & D carried out by the Company:

Development of better varieties of sugarcane and higher productivity per unit of land and in the Plant side for improving quality of sugar as also of fans.

b) Benefits derived as a result of the above R & D:

Improvement in cane yield and in quantity of sugar and fans.

c) Future Plan of Action:

Development of cane in Company's Reserved Area and Captive Farms.

d) Expenditure on R & D: Rs.1,27,463/-

II. Technology Absorption, Adaptation and Innovation:

The Company is trying to adopt the latest technology for improving productivity/quality and reducing the consumption of raw materials and energy. No technology has been imported.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

FOB Value of Exports

: Rs. NIL

Expenditure in Foreign Currency

: Rs. NIL



REPORT ON CORPORATE GOVERNANCE

Company's Policy on Corporate Governance

Your Company firmly believes to maintain high level of accountability, transparency, integrity and fairness in its operations keeping in view the interest of all its stakeholders.

As per Clause No. 49 of the Listing Agreement, the detailed report on Corporate Governance is as under :

Board of Directors

The Board of Directors of the Company consists of 9 (Nine) Directors (after the demise of one Director Mr. M. L. Pyne on 6th September, 2002) of whom 3 (Three) are Wholetime Directors. Six Board Meetings were held during the financial year 2002-03 on 6th May, 2002, 20th June, 2002, 30th July, 2002, 30th October, 2002, 30th January, 2003 and 12th February, 2003.

The composition of Directors, the attendance at Board Meetings, at the last Annual General Meeting and No. of other Directorships are given below:

| Name of Directors | Category | Attendance at Board Meeting | Attendance at Last AGM | Membership in Other Board |
|----------------------|---------------|-----------------------------|------------------------|---------------------------|
| Mr. S. K. Khaitan | Executive | 6 | Yes | 7 |
| Mr. Sunil K. Khaitan | Non-Executive | 5 | Yes | 3 |
| Mr. S. K. Todi | Non-Executive | 5 | Yes | 21 |
| Mr. R. S. Goenka | Non-Executive | 4 | No | 9 |
| Mr. M. K. Jalan | Non-Executive | - | No | 14 |
| Mr. A. K. Kedia | Non-Executive | 4 | No | 7 |
| Dr. V. K. Rungta | Non-Executive | 6 | Yes | 2 |
| Mr. S. Bafna | Executive | 6 | Yes | 1 |
| Mr. P. P. Tibrewal | Executive | 4 | Yes | 2 |

Committee Position held by Directors :

| Name of Directors | Chairman | Member | Total |
|--------------------|----------------------------------|--|-------|
| Mr. R. S. Goenka | Audit Committee | Remuneration Committee | 2 |
| Mr. S. K. Todi | Remuneration Committee | Audit Committee | 2 |
| Dr. V. K. Rungta | Shareholders Grievance Committee | Audit Committee & Remuneration Committee | 3 |
| Mr. S. Bafna | | Shareholders Grievance Committee | 1 |
| Mr. P. P. Tibrewal | | Shareholders Grievance Committee | 1 |