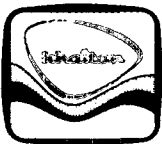




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67th Annual Report & Accounts 2003-04



khaitan (India) Limited



Khaitan (India) Limited

Regd. Office: 46C, J. L. Nehru Road, Kolkata 700 071

Phone : (033) 2288 839, Fax : 91 33 2288 3961

BOARD OF DIRECTORS

S. K. KHAITAN, Chairman

SUNIL K. KHAITAN, Vice-Chairman

R. S. GOENKA

S. K. TODI

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 333, Fax : 91 33 2248 7516

Sugar Mill:

Khaitan Nagar 741 157

Plassey (Nadia), West Bengal

Phone: (03474) 262346/, Fax : 03474-262348

Agriculture Division:

Ramnagar 742 163

(Murshidabad), West Bengal

Phone : (03482) 242233

BRANCHES OF MARKETING DIVISION

Ahmedabad, Cuttack, Chandigarh, Jaipur, Kanpur,

Kochi, Kolkata, Mumbai and New Delhi.

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NOTICE**TO THE SHAREHOLDERS**

NOTICE is hereby given that the Sixtyseventh Annual General Meeting of Khaitan (India) Limited will be held on Thursday the 4th November, 2004 at its Registered Office at Everest House, 20th Floor, 46-C, J. L. Nehru Road, Kolkata – 700 071 at 11.30 a.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 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. Sunil K. Khaitan, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. R. S. Goenka, who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modification, the following resolutions as Special Resolution :

“ RESOLVED THAT the Equity Shares of the Company be de-listed from the Hyderabad Stock Exchange Limited in accordance with the relevant laws, rules, regulation and guidelines (including any statutory modification(s) or re-enactment(s) thereof for the time being in force and as may be enacted hereinafter and subject to such approvals, permissions and sanctions as may be necessary for this purpose.”

“ RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as “the Board” which terms shall be deemed to include any committee thereof for the time being exercising the powers conferred by the Board) be and is hereby authorised to seek voluntary de-listing to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary proper or desirable and to settle any question, difficulty, doubt that may arise in regards to de-listing of the Equity Shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient as may be deemed fit for this purpose, to delegate the authority and the duty vested in it by virtue hereof to any Directors/officers/executives of the Company to do the various acts, deeds and things required to be done in this respect.”

By Order of the Board

Registered Office :
46 C, J. L. Nehru Road
Kolkata 700 071
the 27th September, 2004

R. P. AGARWAL
Company Secretary



NOTICE (Contd.)

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 close from 27th October to 4th November, 2004 (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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

The Equity Shares of the Company are presently listed on three Stock Exchanges e.g. Calcutta, Hyderabad and National Stock Exchange, The investors have access to online dealings in the Company's shares throughout the Country with the extensive net working of the National Stock Exchange. The Company's shares are traded substantially on National Stock Exchange, Mumbai and there is negligible trading on Hyderabad Stock Exchange.

The Shareholders of the Company do not get any benefit by continuing the listing of the Equity Shares at Hyderabad Stock Exchange, and the Company has been paying unnecessary listing fees and involving its time in compliances and reporting as per the clauses of the Listing Agreement.

The Security and Exchange Board of India (De-listing of Securities) Guidelines, 2003 allows Companies to voluntarily de-list their shares provided the same are continued to be listed on one or more Stock Exchanges having nation wide terminals. The Directors has thus, proposed to de-list the Equity Shares of the Company from the Hyderabad Stock Exchange and hence this Special Resolution has been proposed.

None of the Directors, is in any way, concerned or interested in the above resolution.

DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT

TO THE MEMBERS OF KHAITAN (INDIA) LIMITED

Your Directors have pleasure in presenting their Sixtyseventh Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

	2003-04 Rs./Lacs	2002-03 Rs./Lacs
Sales & Operating Income were	9,166.88	9,268.28
Profit for the year was	379.03	233.17
From which is deducted		
Depreciation	(79.04)	(76.15)
Provision for Tax	(11.00)	(0.10)
Leaving a Balance of	288.99	156.92
To which is added :		
Deferred Tax	(60.72)	0.73
Income Tax for earlier year	(10.66)	(14.03)
Prior Period Expenses	—	(0.14)
Depreciation Written back	5.23	—
Profit Brought Forward from previous year	301.26	257.78
Making an available surplus of	524.10	401.26
Which is appropriated as under :		
- Transfer to General Reserve	200.00	100.00
- Balance Carried Forward to next year	324.10	301.26
	524.10	401.26

DIVIDEND

In view of requirement of the funds, your Directors do not recommend any dividend for the year.

SCHEME OF ARRANGEMENT

A Scheme of Arrangement between Khaitan Electricals Ltd. (KEL), Khaitan Lefin Limited (KLL) and the Company has been approved by the Honb'le High Court of Kolkata vide Order Dated 28.6.2004, by the Honb'le High Court of Andhra Pradesh vide Order Dated 31.8.2004 which has resulted into restructuring of Paid-up Capital of these Companies. Consequently the paid-up capital of the Company has been reduced by cancellation of its 39,50,000 Equity Shares amounting to Rs. 3.95 crores and after giving effect of the order, the paid-up capital of the Company remained at 47,50,000 Equity Shares of Rs.10 each aggregating to Rs. 4.75 crores with effect from 1.1.2004.

The investment held by the Company comprising 15,00,000 nos. of Shares of M/s. Khaitan Electricals Ltd. and 9,34,700 Equity Shares of M/s. Khaitan Lefin Ltd. have been surrendered as per the terms of the said Scheme of Arrangement and net surplus of Rs. 88.31 lacs after carrying out necessary adjustments have been credited to General Reserve Account.



DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

OPERATIONS

Performance of all the Divisions are as under :

Marketing Division : The turnover during the year under review was Rs. 7,609 lacs as compared to the last year's Rs. 8,128 lacs. The expenditure on advertisement and sales promotion were controlled by the Company whereby the profits earned by this division could be maintained almost at par with the last year despite lower turnover. Considering all the factors, the overall performance of this division was satisfactory.

Sugar Division : The crushing operations for the season 2003-04 started on 5th December 2003 which was continued for 92 days compared to the last year's 104 days. Performance of the Sugar Division compared to last year is as under :

Details	2003-04	2002-03
Start of Crushing Season	05.12.2003	20.11.2002
Close of Crushing Season	05.03.2004	04.03.2003
Cane Crushed (in lacs Qtls.)	8.28	9.15
Recovery (%)	8.45	8.44
Sugar Production (in Qtls.)	68,571	74,826

Although the crushing is less by around 10% compared to last year but the Sugar Division could reduce its loss by 59% which is mainly due to better sugar prices than last year.

Agriculture Division : The Agriculture Division could maintain its production and supply of sugarcane to the mill equal to last year although there were poor rains during the season.

During the year, 23,013 trees were planted. About 2,72,475 trees out of those planted in last 13 years were standing as on 31.03.2004. Proper care is being taken to provide long-term benefit to the Company.

Industrial Structure : Sugar is one of the largest agro product industry of our country. The total production of sugar industry for the year 2003-04 is around 140 lac tons against production of 202 lac tons last year. Sugar Industry caters a large rural population and plays an important role in development of rural economy. Due to the amendment in the Essential Commodities Act, the prevailing market prices were better during the year under review. The Statutory Minimum Price (SMP) of sugarcane for 2002-03, which was increased to Rs. 73 per quintal linked to a basic recovery of 8.5%, a representation has been sent to Govt. of India by Indian Sugar Mills Association for its consideration to link the SMP to a basic recovery of 9.25%.

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, 2004, the total permanent employees were 305 Nos.

CURRENT OUTLOOK

Marketing Division : Our Principals have launched new fans under premium segment with 'EPRO' features and undertaken aggressive marketing campaign, the response of which was quite encouraging. At the same time, Company is also planning to increase its marketing under economy range to capture share of unorganised sector to improve the overall market share of the Company. These measures should enable the Company to improve the performance of Marketing Division in the current year.

Sugar Division : The sugarcane cultivation is increasing gradually in Company's reserved area year after year. But this year too, irregular rains are affecting the standing crop of sugarcane. The timely arrival of monsoon has benefited the sugarcane standing crop in its growth.

Agriculture Division : Sugarcane is completely an Agri-product and its growth is dependent on rains. From October, 2003 till April, 2004 there were no rains, which had adversely affected the growth of sugarcane crop. However, standing crop has reasonably adequate monsoon rains, which will enable reasonable growth of the standing crop.

Risks & Concerns : The unorganised sector is flourishing day by day by avoiding duties and taxes with utilisation of sub-standard material. Sugar, a highly politicised and agro-based industry, is influenced by weather conditions. Agriculture Division is directly dependent on nature, Standing Sugarcane crop has adverse impact due to heavy or poor rains.

Fixed Deposits : Fixed Deposits from the public and employees accepted by the Company stood at Rs. 59.61 lacs as on 31st March, 2004.

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' Responsibility Statement :

The Board of Directors of your Company confirms :

- 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.



DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT(Contd.)

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. Sunil K. Khaitan and Mr. R. S. Goenka 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 2003-04 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, 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 27th September, 2004

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)

Units per litre of Diesel oil

Cost/Unit (Rs.)

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

	2003-04	2002-03
	7.27	6.54
	35.47	28.91
	4.88	4.42
	3.36	4.92
	3.26	3.51
	7.24	5.79
	7.58	7.00
	N.A.	N.A.
	N.A.	N.A.
	3,710	3,276
	33.45	28.59
	4.41	4.08
	68,571	74,826
	26.55	24.67
	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.1,02,884**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