



Khon Kaen (KK) Limited

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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

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

Certified to be True Copy

For KHAITAN (INDIA) LTD.

[Signature]
Executive Director

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) 262346/7, 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.



NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Sixtyeighth Annual General Meeting of Khaitan (India) Limited will be held on Saturday the 3rd September, 2005 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, 2005 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.

SPECIAL BUSINESS

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

“ RESOLVED THAT pursuant to the provisions of Schedule XIII read with Section 198, 269, 309 and other applicable provisions , if any, of the Companies Act, 1956, Mr. S. K. Khaitan be and is hereby re-appointed as Whole-time Director designated as Chairman and consent be and is hereby given to him to hold and continue to hold an office or place of profit in the Company for a period commencing from 1st April, 2005 to 31st March, 2008 on the terms and conditions as set out in explanatory statement annexed hereto.

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution :

“ RESOLVED THAT pursuant to the provisions of Schedule XIII read with Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, Mr. S. Bafna be and is hereby re-appointed as Whole-time Director designated as Executive Director and consent be and is hereby given to him to hold and continue to hold an office or place of profit in the Company for a period commencing from 1st April, 2005 to 31st March, 2008 on the terms and conditions as set out in explanatory statement annexed hereto.

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as Ordinary Resolution :

“ RESOLVED THAT pursuant to the provisions of Schedule XIII read with Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, Mr. P. P. Tibrewal be and is hereby re-appointed as Whole-time Director designated as Finance Director and consent be and is hereby given to him to hold and continue to hold an office or place of profit in the Company for a period commencing from 1st April, 2005 to 31st March, 2008 on the terms and conditions as set out in explanatory statement annexed hereto.

Registered Office :
46 C, J. L. Nehru Road
Kolkata 700 071
the 27th June, 2005

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 27.08.2005 to 03.09.2005 (both days inclusive).
4. Members, desiring any information about accounts or otherwise, are requested to write to the Company, atleast 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 terms of appointment of Mr. S. K. Khaitan, as Whole-time Director designated as Chairman expired on 31st March, 2005. After considering his managerial experience of 46 years, contribution to take the organisation to new heights by his dynamic leadership and in-depth market acumen has re-appointed him, subject to approval of Shareholders, as Whole-time Director designated as Chairman of the Company with effect from 1st April, 2005 for a period upto 31st March, 2008.

REMUNERATION

- a. **Salary :** Rs. 75,000/- (Rupees seventy five thousand) per month in the scale of Rs.75,000– 5,000– 90,000. Annual increment will be effective from 1st April each year.
- b. **Commission :** Such remuneration by way of commission in addition to the salary, perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular year, as may be determined by the Board of Directors of the Company at the end of each financial year subject to the overall ceiling stipulated in Sections 198 and 309 of the Act. The specific amount payable to all Whole-time Directors will be based on certain performance criteria to be laid down by the Board and will be payable annually after the Annual Accounts have been approved by the Board of Directors.
- c. **Perquisites :** In addition to the salary, as above, Mr. Khaitan will be entitled to the following perquisites within the overall limit stated above :

CATEGORY- I

- i) Free Furnished Accommodation or House Rent Allowance @ 60% of his salary, in lieu thereof.
- ii) Expenditure incurred on gas, electricity, water and furnishing, valued as per the Income Tax Rules, 1962, subject to a ceiling of 10% of his salary.
- iii) Reimbursement of medical expense for self and family in accordance with rules of the Company.
- iv) Leave Travel Assistance for self and family in accordance with the rules of the Company.
- v) Subscription of the clubs of which Mr. S. K. Khaitan is a member.

CATEGORY- II

In addition to the remuneration and perquisites stated above, Mr. S. K. Khaitan will be entitled to:

- i) Gratuity as per rules of the Company but not exceeding half month's salary for each completed year of service, subject to a ceiling as may be prescribed by the Central Government at that time.
- ii). Encashment of leave at the end of the tenure will not be included in the computation of ceiling of perquisites.

CATEGORY- III (Not to be considered as perquisites)

- i) Provision of a car with driver for use on Company's business, alternatively car/conveyance expenses incurred on Company's business will be reimbursed at actuals.
- ii) Free telephone facility at residence.

In the event of loss and inadequacy of profit, he will be entitled to the above remuneration as minimum remuneration.

He will not be liable to retire by rotation being a Whole-time Director.

Mr. S. K. Khaitan is interested in the above resolution to the extent of remuneration and perquisites payable to him. Mr. Sunil K. Khaitan is related to him. No other Director is interested or concerned in the aforesaid resolution.

Item No. 6 & 7

The Board of Directors at its meeting held on 28th January, 2005 had re-appointed Mr. S. Bafna, Executive Director and Mr. P. P. Tibrewal, Finance Director from 1st April, 2005 to 31st March, 2008 on the terms and conditions as set out hereunder :

Name and Designation	Salary Per Month Rs.	Scale Rs.	Annual Basic Increment Per Month Rs.
Mr. S. Bafna Executive Director	30,000/-	30,000-2,000-40,000	2,000/- effective from 1st April every year.
Mr. P. P. Tibrewal Finance Director	30,000/-	30,000-2,000-40,000	2,000/- effective from 1st April every year.

Commission and Perquisites to both the above Directors :

Commission

Such remuneration by way of commission in addition to the salary, perquisites and allowances payable calculated with reference to the net profit of the Company in a particular year as may be determined by the Board of Directors of the Company at the end of each financial year subject to overall ceiling stipulated in Section 198 and 309 of the Act. The specific amount payable to all Whole-time Directors will be based on certain performance criteria to be laid down by the Board and will be payable annually after the Annual Accounts have been approved by the Board of Directors.

Perquisites

In addition to salary and commission, they will be entitled to the following perquisites which shall be restricted to an amount equal to their annual salary.

CATEGORY- I

- i) Free Furnished Accommodation or House Rent Allowance @ 60% of their salaries, in lieu thereof.
- ii) Expenditure incurred on gas, electricity, water and furnishing, valued as per the Income Tax Rules, 1962, subject to a ceiling of 10% of their salaries.



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

- iii) Reimbursement of medical expense for self and family in accordance with rules of the Company.
- iv) Leave Travel Assistance for self and family, once in two years or twice in a block of four years, incurred in accordance with the rules specified by the Company.
- v) Fees of maximum of two clubs, which will not include admission and/or Life Membership Fees.

CATEGORY - II

- i) The Company's contributions to provident, superannuation and other Funds shall be subject to the regulations of the Company. Such contributions will not be included in computation of the ceiling on perquisites to the extent, not taxable under the Income Tax Act, 1961.
- ii) Gratuity as per rules of the Company but not exceeding half month's salary for each completed year of service, subject to a ceiling as prescribed by the Central Government at that time.
- iii) Earned leave as per rules of the Company. Encashment of leave at the end of the tenure will not be included in the computation of ceiling of perquisites.

CATEGORY- III (Not to be considered as perquisites)

- i) Provision of a car with driver for use on Company's business, alternatively car/conveyance expenses incurred on Company's business will be reimbursed at actuals.
- ii) Free telephone facility at residence, provided that charges for all personal long distance calls shall not be borne by the Company.
- a) In the event of loss or inadequacy of profit, they will be entitled to the above remuneration as minimum remuneration.
- b) They will be entitled to re-imbursement of all expenses, actually and properly incurred in connection with the business of the Company.
- c) They will not be entitled to receive fees for attending any meeting of the Board or a Committee thereof, so long as they function as Whole-time Directors of the Company.
- d) The terms and conditions of this appointment including their designations can be altered and varied from time to time by the Board as it may, in its discretion, deem fit within the provisions of Schedule XIII of the Companies Act, 1956.
- e) The appointment can be terminated by either party by giving three months notice in writing to the other.

They, being Whole-time Directors, are not required to retire by rotation.

Mr. S. Bafna and Mr. P. P. Tibrewal are concerned and interested to the extent of remuneration payable to them.

No other Director is interested or concerned in the aforesaid resolutions.

DIRECTORS' REPORT**INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT**

TO THE MEMBERS OF
KHAITAN (INDIA) LIMITED

Your Directors have pleasure in presenting their Sixtyeighth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2005.

FINANCIAL RESULTS

	2004-05 Rs./Lacs	2003-04 Rs./Lacs
Sales & Operating Income were	8,355.40	9,166.88
Profit for the year was	204.58	379.03
From which is deducted		
Depreciation	(83.59)	(79.04)
Provision for Tax	(3.00)	(11.00)
Leaving a Balance of	117.99	288.99
To which is added :		
Deferred Tax	(8.42)	(60.72)
Income Tax for earlier years	—	(10.66)
Prior Period Expenses	(0.41)	—
Depreciation Written back	2.04	5.23
Profit Brought Forward from previous years	324.10	124.61
Making an available surplus of	452.14	524.10
Which is appropriated as under :		
- Transfer to General Reserve	—	200.00
- Balance Carried Forward to next year	452.14	324.10
	452.14	524.10

DIVIDEND

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

ONE TIME SETTLEMENT

The Company's proposal to West Bengal Industrial Development Corporation Ltd. for One Time Settlement of the dues related to the loan of Government of West Bengal was accepted by them as per their Letter No.F-11- 84(282/II/VI)1165 dated 22nd June, 2005 which will become effective on 1st July, 2005, upon initial payment of Rs. 40 lacs. Consequently a sum of Rs. 2.92 Crores will be waived towards interest upto 31st March, 2005.

MANAGEMENT DISCUSSION & ANALYSIS REPORT**OPERATIONS**

Performance of all the Divisions are as under :



DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

Marketing Division : The turnover during the year under review was Rs. 71.11 Crores as against last year's Rs. 76.09 Crores. About 50% of the sales of electrical fans take place during last quarter of the year. As most of the State Governments introduced Value Added Tax (VAT) with effect from 1st April, 2005, the dealers of the Company were compelled to restrict their purchases in the month of March' 05 so as to avoid extra tax liability on their opening stock carried on 1st April, 2005. This led to sharp decline in sales of the Company during the month of March, 2005 registering the said lower turnover. The income from Royalty was higher during the year at Rs. 2.17 Crores against Rs. 1.64 Crores in the last year. Considering various factors, the overall performance of the Division was satisfactory.

Sugar Division : The Crushing Operations for the season 2004-05 started on 26th November, 2004 which was continued for 71 days compared to the last year's 92 days. Performance of the Sugar Division compared to last year is as under :

DETAILS	2004-05	2003-04
Start of Crushing Season	26.11.2004	05.12.2003
Close of Crushing Season	04.02.2005	05.03.2004
Cane Crushed (in lacs Qtls.)	5.77	8.28
Recovery (%)	8.11	8.45
Sugar Production (in Qtls.)	45,810	68,571

The crushing was lower by 30% compared to last year so as the production & recovery. The main reason of such decline is attributable to running of Power Crushers within the reserved area of the Company and to some extent due to the natural calamities of draught initially and then rains followed by storms which destroyed the standing sugarcane, deteriorated the juice contents.

Agriculture Division : Due to nature's failure, Company's own Sugarcane production was also adversely affected. The supply of sugarcane to the Mill was less by around 23%.

The Land & Land Reforms Deptt., Government of West Bengal issued a Notice dated 20.09.2002 to vest the Company's land. Your Directors had filed a writ petition before Hon'ble Calcutta High Court. The Hon'ble Calcutta High Court has quashed the Notice issued by the Department as per Order dated 1st March, 2005.

During the year, 43,800 trees were planted. About 2,71,353 trees, out of those planted in last 14 years were standing as on 31.03.2005. Proper care is being taken to provide long term benefit to the Company.

Industrial Structure : Sugar is amongst largest agro processing industry in India. Sugarcane, being the most remunerative crop, around 40 million cultivators and their families apart from considerable agriculture labours are engaged in sugarcane cultivation. As per statistics, around 4 lacs workmen are directly employed in sugar industry. The industry by an estimate caters to over 7.5% of rural population. The total payment to farmers for sugarcane supply in the country is around Rs.1,600 Crores and contribution to exchequer is around Rs.800 Crores. Due to the adverse climatic conditions all over the country, the total sugarcane production during the sugar season 2004-05 was much less.

Initially it was estimated that the sugar production of the country for 2004-05 will be around