

69th Annual Report &
Accounts 2005-06



khaitan (India) Limited



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

B. K. CHORARIA

AUDITORS

CHATURVEDI & CO.
Chartered Accountants

BANKERS

INDUSTRIAL DEVELOPMENT BANK OF INDIA
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) 2622345/6/7, Fax : 03474-262348

Agriculture Division :

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

BRANCHES OF MARKETING DIVISION

Ahmedabad, Jaipur and Kanpur

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NOTICE**TO THE SHAREHOLDERS**

NOTICE is hereby given that the Sixty-ninth Annual General Meeting of Khaitan (India) Limited will be held on Monday the 4th September, 2006 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, 2006 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. A. K. Kedia, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Dr. V. K. Rungta, 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 Resolutions :

“ **RESOLVED THAT** pursuant to applicable provisions of the Companies Act, 1956 consent be and is hereby accorded for modification in the term of remuneration paid or payable to Mr. S. K. Khaitan, Chairman with effect from 1st April, 2006 till his period of appointment i.e. up to 31.03.2008 as set out in explanatory statement annexed hereto.

Registered Office :
46-C, J. L. Nehru Road
Kolkata 700 071
the 26th June, 2006

By Order of the Board

B. K. Choraria
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 closed from 26th August, 2006 to 4th September, 2006 (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 Company has planned to undertake expansion of Sugar Mill capacity and hence keeping in view the increased responsibilities, remuneration of Mr. S. K. Khaitan may be enhanced from 1st April, 2006 for the remaining period of his appointment as under :

A. REMUNERATION

a. Salary :

Rs. 1,00,000/- (Rupees One lac) per month in the scale of Rs.1,00,000 – 4,00,000
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.

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



DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT

TO THE MEMBERS

KHAITAN (INDIA) LIMITED

Your Directors have pleasure in presenting their Sixty-ninth Annual Report together with the Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	2005-06 Rs./Lacs	2004-05 Rs./Lacs
Sales & Operating Income were	6,366.54	8,355.40
Profit for the year was	167.19	204.58
From which is deducted		
- Depreciation	(79.99)	(83.59)
- Provision for Tax	(16.50)	(3.00)
Leaving a Balance of	70.70	117.99
To which is added :		
- Deferred Tax	40.48	8.42
- Income Tax for earlier years	8.62	—
- Prior Period Expenses	(0.29)	(0.41)
- Depreciation Written back	—	2.04
- Profit Brought Forward from previous years	452.14	324.10
Making an available surplus of	571.65	452.14
Which is appropriated as under :		
- Balance Carried Forward to next year	571.65	452.14
	571.65	452.14

DIVIDEND

In view of fund requirement for expansion and modernization of sugar mill, your Directors do not recommend any dividend for the year.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

OPERATIONS

Performance of all the Divisions are as under :

Marketing Division : The turnover during the year was Rs. 45.40 Crores as compared to last year's Rs. 73.42 Crores. During the year the Company has discontinued its marketing operations in some of the States due to lower margins. This has led to sharp decline in the turnover but the overall performance of this division was satisfactory considering corresponding reduction in overheads, income from Royalty etc.

DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

Sugar Division : The Crushing Operations for the season 2005-06 started on 3rd December, 2006 which was continued for 73 days compared to the last year's 71 days. Performance of the Sugar Division compared to last year is as under :

DETAILS	2005-06	2004-05
Start of Crushing Season	03.12.2005	26.11.2004
Close of Crushing Season	13.02.2006	04.02.2005
Cane Crushed (in lacs Qtls.)	5.91	5.77
Recovery (%)	8.45	8.11
Sugar Production (in Qtls.)	48,528	45,810

Agriculture Division : The supply of sugarcane to mill from captive farm was slightly higher by 1.05% compared to last year. The yield was reduced due to abrupt change in climatic conditions in the month of February'06.

As reported last year, the Hon'ble Calcutta High Court has quashed the notice issued by the Land & Land Reforms Department, Govt. of West Bengal to vest the land, the Government had filed writ petition in Hon'ble Supreme Court, which is pending.

During the year, 36,000 trees were planted, about 3,02,699 trees out of those planted in last 15 years were standing as on 31.03.2006. Proper care is being taken to provide long term benefit to the Company.

INDUSTRIAL STRUCTURE

Sugar Division : Sugar Production in the Current Season is estimated to be over 180 lacs Tons as against last year's production of 127 lacs Tons. Sugarcane being the most remunerative crop and creation of additional crushing capacity by the industry, it is hoped that the production of sugar in the year 2006-07 will cross 200 lacs Tons.

With the increased production of sugar, the sugar industry has approached to the Government of India to decontrol the sugar as per recommendation of High Powered Committee's Report of 1998 as well as to abolish the release mechanism.

Due to the rapid rising and volatile price of crude oil in recent past, the world is fast changing to bio fuels to reduce the dependence on imported crude oil. A high level committee was constituted by Central Government to evolve a national policy for blending ethanol with petrol.

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, 2006 the total permanent employees were 224 Nos.



DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

Auditors Qualifications: As the Sugar Division is incurring losses and making initial payment of premium of Group Gratuity cum Life Assurance Scheme is not feasible and hence your Company is continuing with the system of making payment of Gratuity at the time of retirement of employee.

Your Company had made a request to the Central Government for one-time settlement of Sugar Development Fund dues as was done by Banks and WBIDC, which is still pending with them.

CURRENT OUTLOOK

Marketing Division : Various new products namely lamps, bulbs, luminaries, home appliances, MCB, wires etc. launched by the Company under its brand name 'Khaitan' have been well accepted in the market. As a result, the Company's brand is becoming much stronger making the regular enhancement in royalty income of the Company. Hence, the performance of Marketing Division is expected to improve in the current year.

Sugar Division : As the growers have realised that the sugarcane is the only remunerative crop, they are inclined to choose sugarcane crop. Your Directors have explored the potentials and have given loan in form of seeds and fertilizers to the growers which has resulted in higher growing area of sugarcane. Keeping in view the quantum of cane growing and to reduce the fuel cost, your Directors have decided to increase the capacity of the mill by installation of higher capacity Boiler and Turbine for power generation to run the Mill.

Agriculture Division : It is known fact that sugarcane is totally dependent on nature and weather conditions and is not predictable. Timely rains support growth to the standing sugarcane crop.

Risks & Concerns : Although W.B. Sugarcane (Control) Order, 1985 is in existence but the same is not implemented and the illegal Power Crushers are freely operating in the reserved area of the Company declared by the Government of West Bengal and encroaches on availability of sugarcane to the factory, which is attributable to shortage of raw material.

Agriculture Division is completely exposed to nature. Heavy or poor rains have adverse impact on the standing sugarcane crop.

Fixed Deposits : Fixed Deposits from the public and employees accepted by the Company stood at Rs. 69.46 lacs as on 31st March, 2006.

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 confirm :

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed, except AS-15 ;
2. 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 ;

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

3. 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 ;
4. 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. A. K. Kedia and Dr. V. K. Rungta retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Cost Auditors : In compliance to the Central Government Order, your Board has appointed M/s Prasad & Co., qualified Cost Accountants to carry out Cost Audit of the Cost Accounts maintained by the Company in respect of Sugar Division. This appointment has to be made at the beginning of each financial year. As such, an application has already been forwarded to the Central Government to renew the appointment for the current financial year.

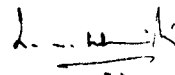
Auditors : M/s. Chaturvedi & Co., Chartered Accountants and Branch Auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Personnel : 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.

Acknowledgment : Your Directors place on record their appreciation for the continued co-operation and support extended by the Government of West Bengal, IDBI, State Bank of Patiala, Bank of Baroda, Cane Growers, Suppliers, Dealers all over the country, Depositors and the Shareholders.

On behalf of the Board



S. K. KHAITAN
Chairman

Kolkata
the 26th June, 2006