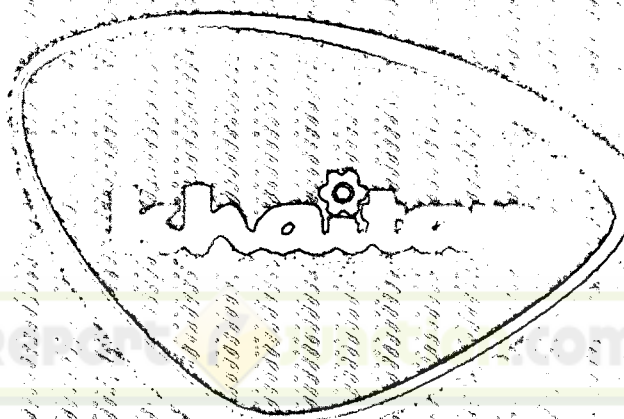


## 70th Annual Report & Accounts 2006-07



**khaitan** (India) Limited **Company Secretary**



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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**

G. K. CHORARIA

### **AUDITORS**

CHATURVEDI & CO.  
Chartered Accountants

### **COST AUDITORS**

PRASAD & CO.

### **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) 262345/6/7, Fax : 03474-262348

#### **Agriculture Division :**

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



## NOTICE

### TO THE SHAREHOLDERS

NOTICE is hereby given that the Seventieth Annual General Meeting of Khaitan (India) Limited will be held on Friday the 21st September, 2007 at Merchant Chamber of Commerce at 15B, Hemant Basu Sarani, Kolkata 700 001 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, 2007 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 Resolutions :

**" RESOLVED THAT** the Equity Shares of the Company be de-listed from the Calcutta Stock Exchange Association 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".

Registered Office :  
46-C, J. L. Nehru Road  
Kolkata 700 071  
the 28th June, 2007

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 14th September, 2007 to 21st September, 2007 (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 Equity Shares of the Company are presently listed on two Stock Exchanges e.g. The Calcutta Stock Exchange Association Limited and National Stock Exchange of India Limited. 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, Mumbai and there is negligible trading on Calcutta Stock Exchange.

The Shareholders of the Company do not get any benefit by continuing the listing of the Equity Shares at Calcutta 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 have thus, proposed to de-list the Equity Shares of the Company from the Calcutta 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

#### KHAI TAN (INDIA) LIMITED

Your Directors have pleasure in presenting their Seventieth Annual Report together with the Audited Accounts for the year ended 31st March, 2007.

#### FINANCIAL RESULTS

	2006-07 Rs./Lacs	2005-06 Rs./Lacs
Sales & Operating Income were	5,059.40	6,366.54
Profit for the year was	321.65	167.19
From which is deducted		
- Depreciation	(89.05)	(79.99)
- Provision for Tax	(22.50)	(16.50)
Leaving a Balance of	210.10	70.70
To which is added :		
- Deferred Tax	33.39	40.48
- Income Tax for earlier year	(0.67)	8.62
- Prior Period Expenses	(106.46)	(0.29)
- Profit Brought Forward from previous year	571.65	452.14
Making an available surplus of	708.01	571.65
Which is appropriated as under :		
- Balance Carried Forward to next year	708.01	571.65
	708.01	571.65

#### 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. 38.60 crores as compared to Rs. 45.40 crores of last year. During the year the Company has discontinued its direct marketing operations in two States. As a result the turnover has declined but corresponding reduction in overheads and enhanced income from Royalty has enabled satisfactory performance of this Division.

**Sugar Division :** The Crushing Operations for the season 2006-07 started on 3rd December, 2006 which was continued for 107 days compared to the last year's 73 days. Performance of the Sugar Division compared to last year is as under :

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

DETAILS	2006-07	2005-06
Start of Crushing Season	03.12.2006	03.12.2005
Close of Crushing Season	19.03.2007	13.02.2006
Cane Crushed (in lacs Qtls.)	9.57	5.91
Recovery (%)	8.32	8.45
Sugar Production (in Qtls.)	76,601	48,528

**Agriculture Division :** The agricultural products are dependent upon the nature. During the year under review, the weather conditions were unfavourable. Initially there was no rains till May which has harmed the standing crop. Then there was heavy rains which has caused flood in the area and damaged the standing crop extensively and reduced the yield and recovery. The supply of sugarcane from captive farms to factory was lower by 26% compared to last year.

During the year, 20,000 trees were planted, about 2,99,705 trees out of those planted in last 16 years were standing as on 31.03.2007. Proper care is being taken to provide long term benefit to the Company.

**INDUSTRIAL STRUCTURE**

**Sugar Division :** The year 2006-07 was very bad year for the Sugar Industry. Total production of sugar of the Country reached to all time high of more than 27 million tons, a sharp growth of 50% over the previous sugar season whereas the consumption is only 19.5 million tons i.e. only about 3% higher than the previous season. The sugar prices in the market nose dived to an average of Rs. 1,350/- per quintal including excise duty of Rs. 87.55 per quintal in comparison to last year's average price of Rs. 1,850/- per quintal.

It is estimated that production of sugar during the sugar season 2007-08 will even cross this year production to an estimated over 30 million tons whereas consumption is likely to increase to 20 million tons only. This indicates that the season 2007-08 will also be a critical one for Sugar Industry. With further higher production, there will be no possibility of price improvement of sugar from the present level.

**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, 2007 the total permanent employees were 165 Nos.

**Auditors Qualifications:** As the Sugar Division is incurring losses and making initial payment of premium of Group Gratuity cum Life Assurance Scheme and Leave Encashment Policy are



## DIRECTORS' REPORT

### INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT (*Contd.*)

not feasible and hence your Company is continuing with the system of making payment of Gratuity at the time of retirement of employees.

The request made to the Central Government for One Time Settlement of Sugar Development Fund dues has not been accepted and hence provision for interest has been made during the year.

### CURRENT OUTLOOK

**Marketing Division :** During last two years, the Company launched several new products under its brand name "Khaitan" which have been well accepted in the market. There will be regular enhancement in royalty income for the Company and the overall performance of the marketing Division should improve in the current year.

**Sugar Division :** Your Directors put vigorous efforts and explore the potentials by giving interest free loan in form of seeds and fertilizers to the growers to grow more sugarcane. The sugarcane crop has increased considerably in the area. Your Directors are confident that adequate quantity of sugarcane will be available to the mill. As reported earlier, expansion work of the mill is in full swing. To cope with the additional supply of sugarcane, Production Deptt. has also been equipped with new equipments for production of better quality of sugar.

**Agriculture Division :** The only raw material for Sugar Mill is sugarcane but the crop is totally dependant on nature and weather conditions, which is unpredictable.

**Risks & Concerns :** Higher production will result in increased Sugar Inventory in the country which will create heavy pressure on Sugar Mill margins, specially factories having small crushing capacities.

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. 44.95 lacs as on 31st March, 2007.

**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 ;
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.

**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** : 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.

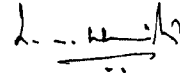
**Auditors** : M/s. Chaturvedi & Co., Chartered Accountants and Branch Auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment.

**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.

For and on behalf of the Board



S. K. KHAITAN  
Chairman

Kolkata  
the 28th June, 2007



## 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 Tons)

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

	2006-07	2005-06
	8.85	6.90
	44.53	40.60
	5.03	5.88
	7.78	5.46
	3.24	4.01
	10.48	8.24
	2.72	1.61
	N.A.	N.A.
	N.A.	N.A.
	2,199	4,886
	22.48	50.07
	8.26	31.10
	79,700	50,265
	24.28	27.80
	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. 2,41,250/-

#### 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

Expenditure in Foreign Currency

: Rs. 10.87 lacs