

2007-08



Khatima (India) 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

B. 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

Certified to be True Copy
For KHAITAN (INDIA) LTD.
B.K. Choraria
Company Secretary



NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Seventy first Annual General Meeting of Khaitan (India) Limited will be held on Monday the 22nd September, 2008 at Merchant Chamber of Commerce, 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, 2008 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 Resolutions as Special Resolutions :

" 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, 2008 to 31st March, 2011 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 Executed 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, 2008 to 31st March, 2011 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, 2008 to 31st March, 2011 on the terms and conditions as set out in explanatory statement annexed thereto.

Registered Office :
 46-C, J. L. Nehru Road
 Kolkata 700 071
 the 30th June, 2008

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 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 15th September, 2008 to 22nd September, 2008 (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, 2008. After considering his managerial experience of 49 years, contribution to take the organization 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, 2008 for a period upto 31st March, 2011.

REMUNERATION :**a. Salary :**

Rs. 2,50,000/- (Rupees two lac fifty thousand) per month in the scale of Rs. 2,50,000 – 5,00,000. The basic salary shall be enhanced every year subject to maximum as provided in the slab at the discretion of the Board, within the ceiling of 10% of the net profit of the Company.

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) City Compensatory Allowance @ 10% of Salary.
- iii) 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.
- iv) Reimbursement of medical expense for self and family in accordance with rules of the Company.



NOTICE (Contd.)

- v) Leave Travel Assistance for self and family in accordance with the rules of the Company.
- vi) Subscription of the clubs of which Mr. S. K. Khaitan is a member.

CATEGORY – II

- i) In addition to the remuneration and perquisites stated above, Mr. S. K. Khaitan will be entitled to :
- 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 may be 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.
- iii) Group Personal Accident Insurance Premium of which not to exceed Rs. 5,000/- p.a.

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 Mr. S. K. Khaitan and, therefore, interested to the extent of remuneration payable to him. No other Director is interested or concerned in the aforesaid resolution.

Item No. 6 and 7

The Board of Directors at its meeting held on 28th January, 2008 had re-appointed Mr. S. Bafna, Executive Director and Mr. P. P. Tibrewal, Finance Director from 1st April, 2008 to 31st March, 2011 on the following terms and conditions as set out hereunder :

Name and Designation	Basic Salary per Month (Rs.)	Scale (Rs.)
Mr. S. Bafna Executive Director	35,000/-	35,000–70,000
Mr. P. P. Tibrewal Finance Director	40,000/-	40,000–80,000

The basic salary shall be enhanced every year subject to maximum as provided in the slab at the discretion of the Board within the ceiling of 10% of the net profit of the Company.

Commission and Perquisites :

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.

NOTICE (Contd.)**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) Rent free Residential Accommodation or House Rent Allowance @ 60% of the salary in lieu thereof.
- ii) City Compensatory Allowance @ 10% of Salary.
- iii) Expenditure incurred on gas, electricity, water and furnishing, valued as per the Income Tax Rules, 1962 subject to a ceiling of 10% of their salary.
- iv) Reimbursement of medical expense actually incurred for self and family in accordance with rules of the Company.
- v) 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.
- vi) 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 car with driver for use on Company's business. Alternatively, car/conveyance expenses incurred on Company's business will be reimbursed on actuals.
- ii) Free telephone facility at residence, provided that charges for all personal long distance calls shall not be borne by the Company.
- iii) Group Personal Accident Insurance Premium of which not to exceed Rs. 5,000/- p.a.
 - 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 hereof, 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.

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

KHAITAN (INDIA) LIMITED

Your Directors have pleasure in presenting their Seventy first Annual Report together with the Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

	2007-08 Rs./Lacs	2006-07 Rs./Lacs
Sales & Operating Income were	5,184.65	5,059.40
Profit for the year was	25.83	321.65
From which is deducted		
- Depreciation	(104.07)	(89.05)
- Provision for Taxation	—	(16.50)
- Provision for Fringe Benefit Tax	(5.70)	(6.00)
Leaving a Balance of	(83.94)	210.10
To which is added :		
- Deferred Tax	49.72	33.39
- Prior Period Adjustments	3.24	(107.13)
- Profit Brought Forward from Previous Year	708.01	571.65
Making an available surplus of which is carried forward to next year	677.03	708.01

DIVIDEND

In view of loss, Directors do not recommend any dividend for the year.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

OPERATIONS

Performance of all the Divisions are as under :

Marketing Division : Sales and operating income during the year was Rs. 39.99 crores against Rs. 38.60 crores of last year. Several new products launched over last 2 years under the brand name 'Khaitan' have received encouraging response which has enabled this division to earn higher Royalty Income amounting to Rs. 4.39 crores against Rs. 3.80 crores last year.

Sugar Division : As reported earlier, your Directors had taken expansion of Sugar Mill but the erection of 30 Tons Boiler could not be commissioned within the stipulated time. Similarly, there were teething problem in other equipments which had resulted in delayed start of crushing season. As the sugarcane was available, crushing was continued up to 15th April, 2008 despite lower recovery and higher process loss.

During the year under review, cost of other inputs like sulphar, lime, chemicals etc. also increased heavily. Interest cost has also gone up during the year due to borrowings made for Sugar Mill's expansion. Higher cost of production due to low recovery resulted in loss during the year under review.

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

The crushing operations for the season 2007-08 started on 3rd January, 2008 which was continued for 103 days compared to the last year's 107 days. Performance of the Sugar Division compared to last year was as under :

DETAILS	2007-08	2006-07
Start of Crushing Season	03.01.2008	03.12.2006
Close of Crushing Season	15.04.2008	19.03.2007
Cane Crushed (in lacs Qtls.)	7.18	9.57
Recovery (%)	6.43	8.32
Sugar Production (in Qtls.)	44,675	76,604

Agriculture Division : All agricultural products are nature prone. During the year under review, there was flood twice i.e. in June and October, 2007 which damaged sugarcane extensively. However, supply of sugarcane from captive farms to factory was higher by 4.66% compared to last year.

During the year about 30,000 trees were planted. About 3,15,536 trees out of those planted in last 17 years were standing as on 31.03.2008. Necessary care is being taken to nurture the same to fetch long term benefit.

INDUSTRIAL STRUCTURE

Sugar Division : The Sugar is a cyclical industry governed by climatic variations. Each cycle runs 4 to 6 years. The country's sugar production for the year 2007-08 is estimated to be 27 million tons which is more or less equal to last year's 28.3 million tons and the consumption of sugar is stagnant at 20 million tons. Although the sugar prices in the market increased to an average of Rs. 1,550/- per quintal including excise duty but high input cost has neutralised the increase.

The Central Government has mandated compulsory blending of 5% ethanol with petrol and from October, 2008 the same has increased to 10%. The sugar production for the year 2008-09 is expected to be 220 to 240 million tons. This lower production may make a correction in the market prices of sugar during the sugar season 2008-09. However, if the Central Government put any restriction on export, this may decrease the prices of sugar.

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, 2008, the total permanent employees were 174 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 and Leave Encashment Policy are not feasible and hence your Company is continuing with the system of making payment of Gratuity at the time of retirement of employee.

CURRENT OUTLOOK

Marketing Division : After discontinuing direct marketing operations in most of the States the main focus of the Company under this division is to add more and more products under the brand name 'Khaitan' which will generate regular enhanced royalty income enabling improvement in the overall financial performance for this division.

Sugar Division : Due to the enhanced capacity of Sugar Mill and new equipments installed, your Directors are confident to produce higher quantity and better quality of sugar barring unforeseen circumstances.

Agriculture Division : The only raw material for Sugar Mill is sugarcane but the crop is totally dependant on nature and weather conditions, which is impossible to predict. Timely rain support growth to the standing sugarcane crop.

Risks & Concerns : A higher production will result in higher 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. 15.55 lacs as on 31st March, 2008.

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.

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.