



ANNUAL REPORT 2009-10

khaitan (India) Limited

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khaitan (India) Limited

Regd. Office : 46C, J. L. Nehru Road, Kolkata 700 071
Phone : (033) 2288 8391, 4050 5000, Fax : 91 33 2288 3961

BOARD OF DIRECTORS

S. K. KHAITAN, Chairman
SUNIL K. KHAITAN, Vice-Chairman
M. K. JALAN
Dr. V. K. RUNGTA
A. K. KEDIA
S. BAFNA, Executive 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, 4012 1000
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) 244244



NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Seventy Third Annual General Meeting of Khaitan (India) Limited will be held on Monday the 27th September, 2010 at Merchant Chamber of Commerce, 15-B, Hemant Basu Sarani, Kolkata - 700001 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, 2010 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. M. K. Jalan who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors and to fix their remuneration.

By Order of the Board

Registered Office :
46-C, J.L. Nehru Road
Kolkata-700071
the 23rd July, 2010

B.K. Choraria
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 20th September, 2010 to 27th September, 2010 (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.

DIRECTORS' REPORT**INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT****TO THE MEMBERS****KHAITAN (INDIA) LIMITED**

Your Directors have pleasure in presenting their Seventy Third Annual Report together with the Audited Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

| | 2009-10 Rs./Lacs | 2008-09 Rs./Lacs |
|--|-----------------------------|-----------------------------|
| Sales & Operating Income were | 1771.30 | 1910.04 |
| Profit for the year was | (158.75) | (127.67) |
| From which is deducted | | |
| - Depreciation | (158.86) | (164.00) |
| - Provision for Fringe Benefit Tax | --- | (3.00) |
| Leaving a Balance of | (317.61) | (294.67) |
| TO WHICH IS ADDED : | | |
| - Deferred Tax Assets | --- | 205.90 |
| - Income Tax for Earlier Years | 0.67 | (4.84) |
| - Prior Period Expenses | (31.97) | 71.44 |
| - Profit Brought Forward from Previous Years | 654.86 | 677.03 |
| Making an available surplus of which is Carried Forward to Next Year | 305.95 | 654.86 |

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 : The company has earned royalty of Rs. 470.12 lacs compared to the last year's Rs. 368.32 lacs.

Sugar Division : Year 2009-10 was an another bad year for sugar industry. Production as well as yield of sugarcane was less during the year. In anticipation of reasonable sugar prices due to increase in cost of outputs, the price of sugarcane was increased but barring a short span the sugar price dipped by around 35%. Lower crushing, higher cost of raw material etc. resulted in loss during the year under review.



DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

The crushing operations for the season 2009-10 started on 18th November, 2009 which was continued for 47 days compared to the last year's 54 days. Performance of the Sugar Division compared to last year is as under :

| DETAILS | 2009-2010 | 2008-2009 |
|-----------------------------|------------|------------|
| Start of Crushing Season | 18.11.2009 | 05.12.2008 |
| Close of Crushing Season | 04.01.2010 | 27.01.2009 |
| Cane Crushed (in lacs Qtls) | 2.94 | 2.94 |
| Recovery (%) | 7.04 | 6.44 |
| Sugar Production (in Qtls) | 18,383 | 16,259 |

AGRICULTURE DIVISION:

Sugarcane is a agro product and is fully dependent on nature. The supply of sugarcane from captive farms to the factory was less by 0.04% compared to last year as more cane was given to growers for seed purpose.

During the year about 20000 trees were planted. About 349222 trees out of those planted in last 19 years were standing as on 31.3.2010. Necessary care is taken to nurture the same to fetch long term benefit.

INDUSTRIAL STRUCTURE

Sugar Division: The Sugar Industry has been regulated from quite a long time. In the year 2006-07, there was an all time high production of 26 million tons but export was banned which led to collapse in sugar prices. Due to such fall in sugar prices and accumulations of cane price arrears, it affected the cane plantation which was cause for lower sugar production and switching from sugar export to sugar import. The same continued during sugar year 2009-10. To bridge the gap of sugar produced and estimated consumption, duty free import was allowed at zero duty without quantitative limit. Bringing raw sugar for process and to export again was also released by the Central Government. The Central Government was declaring Statutory Minimum Price (SMP) for sugarcane every year. On 21st October, 2009, Central Government came out with an ordinance that it will, henceforth, announce a Fare and Remunerative Price(FRP) for sugarcane instead of statutory minimum price which was higher by Rs 48.55 per qlt. of sugarcane. The Central Government had also increased the levy sugar quota from 10% to 20%. The production of sugarcane was less and hence the price of sugarcane was paid very high as compared to Remunerative & Fare Price of Sugarcane. But in brining down the sugar prices in the open market the Government had allowed duty free imports, put curb on bulk consumers for making stock of domestic sugar etc. which has resulted drastic reduction in sugar prices in the market.

Internal Control Systems : The Company has a well-defined organisational structure, authority levels, guidelines and manuals which provide adequate internal control systems at all levels to conduct business operations efficiently and to safeguard Company's assets. The Company also has adequate budgetory control system and actual performance is monitored by the management consistently.

DIRECTORS' REPORT

INCLUDING MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

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, 2010, the total permanent employees were 106 Nos.

Auditors' Qualifications: As the Sugar Division is incurring losses, 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 : The company is the owner of 'Khaitan' Brand and will earn royalty income.

Sugar Division : Encouraged by the higher prices of sugarcane, the sugarcane was planted in more areas but due to no rain from October, 2009 to May, 2010, it will have bad impact on standing crop. Further due to low sugar prices, the sugarcane price will be less than that from the season 2009-10. It may effect adversely the plantation of sugarcane next year.

Agriculture Division : Sugarcane is the principal raw material for a sugar industry. There has practically no rains from October, 2009 till May, 2010 which will have a adverse impact on standing crop. It is impossible to predict the weather conditions.

Risks & Concerns : The Indian Sugar Industry exposed for high cyclicalality which is usually four years cycle. The policies of the government may not be conducive for development of sugar industry.

As Agriculture Division is exposed to nature and as such sugarcane cultivation is monsoon dependant, significant variation in climatic conditions can effect yield and recovery.

Fixed Deposits : Fixed Deposits from the public and employees accepted by the Company stood nil as on 31st March, 2010.

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 and AS-22.
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.

Directors : Mr. Sunil K. Khaitan and Mr. M. K. Jalan retire by rotation as 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 retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Personnel : Particulars of employees as required under section 217(2A) of the Companies Act, 1956 are given in a separate annexures attached hereto and form part of the report.

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, IDBI, Bank of Baroda, Cane Growers, Suppliers, Dealers, Depositors and the Shareholders.

For and on behalf of the Board

S K KHAITAN
Chairman

Kolkata
the 23rd July, 2010

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) Purchase 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

| | 2009-10 | 2008-09 |
|--|---------|---------|
| | 4.69 | 6.06 |
| | 31.91 | 37.25 |
| | 6.80 | 6.15 |
| | 0.61 | 0.91 |
| | | |
| | 4.06 | 3.96 |
| | 8.88 | 8.73 |
| | 12.74 | 5.58 |
| | | |
| | N.A. | N.A. |
| | N.A. | N.A. |
| | | |
| | 214 | 358 |
| | 3.28 | 5.27 |
| | 0.28 | 0.95 |
| | 20713 | 18,662 |
| | 87.10 | 67.21 |
| | 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.

b) Benefits derived as a result of the above R & D

Improvement in cane yield and in quantity of sugar.

c) Future Plan of Action:

Development of cane in Company's Reserved Area and Captive Farms.

d) Expenditure on R & D : N I L
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. Nil



REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Corporate Governance

Corporate Governance is required to create a culture of transparency, disclosures, compliance ethic and conduct, accountability and fairness in its operations for maximizing long-term values of shareholder and enables the company to fulfill its obligation to customers, employees, financiers and to the society in general. The detailed report on Corporate Governance is as per clause 49 of Listing Agreement is as under :

BOARD OF DIRECTORS

The Board of Directors comprised 6 (Six) Members at the end of the financial year headed by an Executive Chairman of whom 2 (Two) are Wholtime Directors. Of these 3 were non Executive Directors. There were four Independent Directors who construed 75 percent of the strength against the requirement of minimum 50 percent as per Listing Agreement. The Board of Directors met 5 times during the financial year 2009-10. 5 (Five) Board Meetings were held on 29.05.2009; 29.06.2009; 30.07.2009; 30.10.2009 and 30.01.2010.

None of the Directors is a member of more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49 across all the companies in which he is a Director. Necessary disclosure to this effect has been made by the Directors.

The composition of Directors, the attendance at Board Meetings during the year and the last Annual General Meeting, number of other directorships and committee memberships are given below :-

| Name of Directors | Category | Attendane at Board Meeting | Attendance at Last AGM | Number of Committee member | Membership in Other Boards | Membership in Other Committees |
|---------------------|----------|----------------------------------|------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| Mr S K Khaitan | E&WTD | 5 / 5 | No | --- | 6 | --- |
| Mr. Sunil K Khaitan | VC&NED | 5 / 5 | Yes | --- | 3 | --- |
| Mr. R.S.Goenka * | ID&NED | 1 / 5 | Yes | 2 | 9 | 3 |
| Mr. S.K. Todi * | ID&NED | 2 / 5 | Yes | 2 | 21 | 5 |
| Mr. M.K. Jalan | ID&NED | 1 / 5 | No | 1 | 14 | --- |
| Mr. A.K. Kedia | ID&NED | 2 / 5 | No | 2 | 11 | --- |
| Dr. V.K. Rungta | ID&NED | 5 / 5 | No | 5 | 8 | --- |
| Mr. S. Bafna | WTD | 5 / 5 | Yes | 4 | 1 | --- |

* Ceased w.e.f. 30.10.2009

Category details : E&WTD - Executive & Wholtime Directors; VC&NED - Vice Chairman & Non Executive Director; ID&NED - Independent & Non Executive Director and WTD - Whole Time Director

Disclosure regarding Re-appointment of Directors

As per Clause No. 49VI(A) of Listing Agreement, resume and other information of the Directors retiring by rotation are as under :-

Mr Sunil Krishna Khaitan, B.Com., M.B.A. aged about 50 years is an Industrialist having vast experience of business and management. He is a Director of the Company since 1995. His other Directorships are as under :-

Khaitan Electricals Limited, Khaitan Lefin Limtied, & Khaitan Hotels Pvt. Ltd