



KILBURN CHEMICALS LTD.

**ANNUAL
REPORT
AND
ACCOUNTS
2005-2006**

KILBURN CHEMICALS LTD.

DIRECTORS

DEEPAK KHAITAN - *Chairman*
S. K. JALAN - *Managing Director*
V. VANCHI
S. MUKHERJEE
A. D. NANAIYA
PADAM KUMAR KHAITAN
R. CHAUDHRI

PRESIDENT

P. S. VENKATESH

BANKERS

STATE BANK OF TRAVANCORE
UTI BANK LIMITED

AUDITORS

G. P. KEJRIWAL & ASSOCIATES
CHARTERED ACCOUNTANTS
KOLKATA

REGISTERED OFFICE

NEW NO. 23, OLD NO. 12,
NEELAKANTA MEHTA STREET
T. NAGAR
CHENNAI - 600 017

**FACTORY AND
ADMINISTRATION**

A-81 SIPCOT INDUSTRIAL COMPLEX
MILAVITTAN
THOOTHUKKUDI - 628 002

SHARE TRANSFER AGENTS

MAHESHWARI DATAMATICS PVT. LTD.
6, MANGOE LANE, 2ND FLOOR
KOLKATA - 700 001

KILBURN CHEMICALS LTD.**NOTICE FOR THE 16TH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 16th Annual General Meeting of the Company will be held on Monday, the 31st day of July, 2006 at 10.00 A.M. at "The Music Academy", Kasturi Srinivasan Hall (Mini Hall), New No. 168 (Old No.306), T. T. K. Road, Chennai - 600 014 to transact the following :

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.
2. To declare dividend on Equity and Preference Shares.
3. To elect a Director in the place of Shri Deepak Khaitan who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Shri A. D. Nanaiya who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS

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

"RESOLVED THAT subject to the provisions required by Schedule XIII of the Companies Act, 1956, the Company hereby approves the re-appointment of Shri S. K. Jalan as the Managing Director of the Company for a further period of 3 years effective from 14th November, 2006 on the terms and conditions enumerated in the Explanatory Statement."

Registered Office :

New No.23, Old No.12,
Neelakanta Mehta Street,
T. Nagar,
Chennai 600 017.

Dated : 29th April, 2006.

By Order of the Board
KILBURN CHEMICALS LTD.

S. K. JALAN
Managing Director

NOTES

- 1) A member entitled to attend and vote at the meeting may appoint a proxy to attend, and to vote in his place. A Proxy need not be a member of the Company.
- 2) The Proxy Form to be valid, should be duly stamped, executed and deposited at the Registered office of the Company at least forty eight hours before the time fixed for the commencement of the meeting.
- 3) The Register of Members and Share Transfer Books of the Company will remain closed from 24th July, 2006 to 31st July 2006 (both days inclusive).
- 4) Members are informed that consequent to the issue of Notification by the Department of Company Affairs, they can now avail the nomination facility in respect of their Shares/Debentures/Deposits held in the Company. Members may kindly send the Nomination Form to the Share Transfer Agents of the Company at the earliest.
- 5) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.

KILBURN CHEMICALS LTD.**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 3**

Shri Deepak Khaitan, Director, retires by rotation and being eligible, offers himself for re-appointment. Pursuant to requirement of the Listing Agreement of the Stock Exchanges relating to Corporate Governance, a statement furnishing details of the above Director is attached herewith.

ITEM No. 4

Shri A. D. Nanaiya, Director, retires by rotation and being eligible, offers himself for re-appointment. Pursuant to requirement of the Listing Agreement of the Stock Exchanges relating to Corporate Governance, a statement furnishing details of the above Director is attached herewith.

ITEM NO. 6

In view of the continuing growth and complexities of the Company's operations and having regard to Shri S. K. Jalan's rich and varied experience in the matters pertaining to business and commerce, the Board of Directors at their meeting held on 29th April, 2006 has re-appointed Mr.S.K. Jalan as the Managing Director of the Company for a further period of 3 years effective from 14th November, 2006 subject to the approval of the members in the ensuing Annual General Meeting.

Mr. S. K. Jalan shall be entitled to receive the following by way of remuneration :

SALARY : Rs. 1,75,000/- per month with such revision as the Board may approve from time to time in the salary grade of Rs. 1,75,000/- to Rs. 2,25,000/-.

PERQUISITIES & ALLOWANCES : In addition to the above remuneration, Mr. S.K. Jalan shall also be entitled to perquisites and allowances like furnished accommodation, house, maintenance allowance together with reimbursement of expenses or utilities such as gas, electricity, water, furnishings, and repairs, medical reimbursement, leave travel concession for self and family as per the rules of the Company. Club Fees, medical/personal accident insurance, Leave encashment, benefits of provident fund, gratuity fund, Car, telephone etc. and such other perquisites and allowances as may be agreed to by the Board of Directors and Mr. S. K. Jalan.

In case no accommodation is provided to Mr. S.K. Jalan, he shall be paid House Rent Allowance as per rules of the Company subject to a ceiling of 60% of the salary.

COMMISSION : Such Commission of the net profits, as may be agreed upon by the Board of Directors and Shri S. K. Jalan, for each financial year or part thereof, subject to the condition that the total remuneration i.e. salary, perquisites and commission in any one financial year shall not exceed the limits prescribed or as may be prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956, as may be for the time being in force.

Mr. S. K. Jalan and Mr. Deepak Khaitan are concerned or interested in the re-appointment of Mr. S. K. Jalan as the Managing Director of the Company.

The Board recommends the resolution for your approval.

None of the Director(s) is/are concerned/interested in the said Resolution except to the extent of shares held by them in the Company.

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**Details of Directors seeking appointment/reappointment in
Annual General Meeting scheduled to be held on 31st July, 2006**

Name of the Director (s)	Shri Deepak Khaitan	Shri A.D. Nanaiya
Age	51 years	68 years
Date of Appointment	8th July, 1991	30th January, 1992
Expertise in specific Functional Areas	Industrialist	Business Executive
Qualification	B.Com (Hons), MBA (Geneva)	B.Sc
List of outside Directorship held	<ol style="list-style-type: none"> Williamson Magor & Co.Ltd., McLeod Russel India Ltd. Williamson Tea Assam Ltd. Eveready Industries India Ltd. Doom Dooma Tea Company Ltd. Williamson Financial Services Ltd. Babcock Borsig Ltd. Flender Ltd. McNally Bharat Engineering Co.Ltd. The Moran Tea Co.(India) Ltd. Kilburn Engineering Ltd. B & A Ltd. BPL Soft Energy Systems LTd. 	<ol style="list-style-type: none"> Kilburn Office Automation Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Member : NIL	Member : <ol style="list-style-type: none"> Audit Committee Remuneration Committee
Chairman/Member of the Committees of Director of other Companies in which he is a Director		
(a) Audit Committee	<ol style="list-style-type: none"> Babcock Borsig Ltd. 	NIL
(b) Remuneration Committee	<ol style="list-style-type: none"> Babcock Borsig Ltd. Flender Ltd. 	NIL
(c) Shareholders/Investors Grievance Committee	NIL	NIL

KILBURN CHEMICALS LTD.**DIRECTORS' REPORT**

Your Directors take immense pleasure in presenting the 16th Annual Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

(Rs. in lacs)

2005-06 2004-05

Turnover (Gross)	7,217	6,311
Gross Profit (PBITD)	1,255	1,136
Interest	105	196
Depreciation for the year	239	214
Profit Before Tax (PBT)	911	726
Provision for Income Tax	83	59
Provision for Deferred Tax	(18)	319
Net Profit After Tax (PAT)	846	349
Add: Surplus/(Loss) brought Forward from Previous year	462	343
Profit available for Appropriation	1,308	692
Transferred to General Reserve	70	30
Proposed Dividend	192	177
Dividend Tax	27	23
Balance carried forward to Next year	1,019	462

OPERATIONS

During the year under review, your Company maintained its steady growth rate. In a competitive market situation, sales increased by 16% over the previous year. Your Company has posted an increase of over 25% in its Profit before Tax compared to the previous year, despite sharp increase in the input costs viz. Sulphuric Acid, Scrap Iron, Furnace Oil etc. The Company witnessed a spectacular growth in its Net Profit by 142% over the previous year. Substantial growth in Net Profit is attributable to improved operating results and some tax saving measures. The EPS on an annualized basis zoomed from the level of Rs.4.04 in 2004-05 to Rs.10.73 in 2005-06.

Product	Production (in Tonnes)	Sales (in Tonnes)
Anatase Grade Titanium Dioxide	10312.000 (8890.000)	10482.475 (8530.400)
Ferrous Sulphate Heptha-hydrate	20565.000 (17865.000)	17262.100 (18914.250)

Your Directors are pleased to report that increased thrust on exports during the year yielded encouraging results in as much as 12.5% of the Company's production of Anatase grade Titanium Dioxide has been exported to developed global markets. Besides, 1154 M.T of Ferrous Sulphate Heptha-hydrate was also exported during the year.

Your Directors are pleased to inform that during the year under review, the Company successfully installed and commissioned 2 nos. of Wind Turbine Generators of 1.25 MW capacity each in the State of Tamil Nadu. Besides energy conservation and tax savings, this move is expected to result in lowering the power costs.

The anti-dumping duty on imports of Anatase grade Titanium Dioxide from China imposed by the Government of India, Ministry of Commerce & Industries (Dept. of Commerce) vide its Notification dated 15th March 2004 continues to be applicable.

PREFERENCE DIVIDEND

Your Directors recommend Dividend of 11% on the Cumulative Redeemable Preference Shares for the period from 1st April, 2005 to 31st March, 2006 amounting to Rs. 43.03 lacs.

EQUITY DIVIDEND

Your Directors are pleased to recommend an increase in Dividend from 18% to 20% on the equity shares of Rs.10/- each subject to the approval of the shareholders in the Annual General Meeting.

FUTURE OUTLOOK

Your Company has been consistently investing on technology, capacity, R&D etc. to enhance its overall profitability and customer satisfaction. Considering the growth potential both within and outside the country, the Company has drawn up ambitious plans for expansion in a phased manner. Your Company is currently in the midst of scaling up production capacity by 33%. It is also planning to enrich the current product-mix by more value-added products.

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The Company proposes to fund the capital investments largely out of its internal generations.

Your Company is bench-marking the manufacturing parameters to international practices to bring the product quality to global standards. The Company continues to pursue and implement various measures viz. technological improvements, process innovation, cost reduction exercises etc. to improve its competitiveness. During the current year, the Company expects a healthy growth in its top line and exports are expected to account for nearly 30% of the overall sales. The Company's short and long term plans are all directed towards maximizing profit and shareholders' wealth.

CONSERVATION OF ENERGY

The required information with regard to energy conservation and technology absorption as required under Section 217(i)(e) of the Companies Act is given in Annexure-A attached to this report.

CORPORATE GOVERNANCE

Pursuant to the provisions contained in the Listing Agreement with Stock Exchanges, a Management Discussion and Analysis Report and a Report on Corporate Governance together with the Auditors' Certificate on the compliance of the conditions of the Corporate Governance are annexed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (1) That in the preparation of the Annual Accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (2) That the Directors have 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 the profit of the Company for year under review;

(3) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(4) That the Directors have prepared the Annual Accounts on a going concern basis.

COST AUDITOR

The Board of Directors have appointed Shri R. Subramanian, Cost Accountant, Tirunelveli, to audit the cost accounts of the Company related to manufacture of Titanium Dioxide for the financial year ended 31st March, 2006, in compliance with the Central Government directives in this regard.

DIRECTORS

Shri Deepak Khaitan and Shri A. D. Nanaiya retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-election.

AUDITORS

M/s. G. P. Kejriwal & Associates, Chartered Accountants, retire at the conclusion of this meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

Industrial relations in the Company continued to be cordial and satisfactory. There is no employee in the Company falling within the requirements of Section 217(2a) of the Companies Act, 1956 and hence the statement giving such information is not furnished.

ACKNOWLEDGEMENT

Your Directors are grateful for the co-operation and continued guidance and support extended by Industrial Development Bank of India Ltd., State Bank of Travancore, UTI Bank Ltd. and the State Industries Promotion Corporation of TamilNadu Ltd. The Directors greatly appreciate the dedicated and sincere services rendered by the employees at all levels. Finally, the Directors express their gratitude to all the Shareholders for their unstinted support.

For and on behalf of the Board
Place : Kolkata, S. K. JALAN
Date : 29th April, 2006 Managing Director

KILBURN CHEMICALS LTD.**ANNEXURE - A****FORM-A**

(See Rule 2)

Disclosure of particulars with respect to conservation of energy.

A) Power and Fuel Consumption :	Current Year 2005-2006	Last Year 2004-2005
1) Electricity :		
a) Purchased :		
Units	97,66,818	85,81,992
Total Amount	Rs.4,27,58,648	Rs.3,75,37,590
Rate/Unit	Rs.4.38	Rs.4.37
b) Own Generation :		
(i) Through Diesel Generator		
Units	2,53,116	5,89,036
Units per litre of Fuel	3.02	3.28
Cost per Unit	Rs.7.67	Rs.7.31
(ii) Through Steam		
Turbine/Generator (Units)	2,82,206	NIL
2) Coal :	NIL	NIL
3) Furnace Oil/Kerosene :		
Quantity (K.Ltrs.)	3491.225	3789.187
Total Amount	Rs.5,41,08,073	Rs.6,70,14,239
Average Rate	Rs.15,498.31	Rs.17,685.65
4) Others :		
Firewood :		
Quantity (M.Tons)	9773.300	6181.080
Total Amount	Rs.1,84,14,550	Rs.1,15,21,741
Average Rate	Rs.1,884.17	Rs.1,864.03
B) Consumption per unit of production :		
i) Titanium Dioxide :		
a) Power	792 Units	894 Units
b) Furnace Oil/Kerosene	339 Litres	426 Litres
c) Fire Wood	0.948 Tonnes	0.695 Tonnes
ii) Ferrous Sulphate Heptha Hydrate		
Power	104 Units	68 Units

ANNEXURE - B

REPORT ON CORPORATE GOVERNANCE
(Pursuant to Clause 49 of the Listing Agreement)

The following is a report on Corporate Governance code as implemented by your Company.

A. MANDATORY REQUIREMENTS**1. CORPORATE GOVERNANCE**

Your Company firmly believes in transparency, professionalism and accountability in its dealings and lays emphasis on integrity and compliance of regulatory provisions and has constantly endeavoured to practice good Corporate Governance. The above policies adopted by the Company recognize the accountability of the Board and assist its top management in the efficient conduct of the business of the Company and at the same time in meeting its social obligations.

The Company has taken a series of steps to put in place appropriate Corporate Governance Policies for your Company and to comply with many of the regulations framed in this regard by the Securities & Exchange Board of India.

KILBURN CHEMICALS LTD.**2. BOARD OF DIRECTORS**

The Board of Directors of your Company consists of Seven Directors, one of whom is the Managing Director. All other Directors are non-executive Directors and not less than one third of the Board comprises of independent Directors.

- i) The details of composition, status, attendance at the Board Meetings and the last Annual General Meeting (AGM), outside Directorships and other Board Committees as at 31st March, 2006 is as under :

Name of the Director	Status i.e., Executive, Non Executive and Independent	No. of Membership in other Boards or other Committees as a Member or Chairman (other than Private Limited Companies and Kilburn Chemicals Ltd.)		Number of Board Meetings		Whether attended last A.G.M.
		Board	Committee	Held during the year	Attended during the year	
Shri Deepak Khaitan	Non Executive Chairman	13	1	6	3	NO
Shri S. K. Jalan	Executive Managing Director	9	1	6	6	YES
Shri V. Vanchi	Non Executive Director	6	1	6	5	YES
Shri Supriyo Mukherjee	Non Executive Independent Director	3	2	6	5	NO
Shri A. D. Nanaiya	Non Executive Independent Director	1	—	6	2	YES
Shri Padam Kumar Khaitan	Non Executive Independent Director	13	7	6	2	NO
Shri Ranjit Chaudhri	Non Executive Independent Director	3	2	6	5	NO

Number of Board Meetings held and the dates on which held :

Six Board Meetings were held during the year 2005-2006 on 26/05/2005; 25/07/2005; 17/08/2005; 28/10/2005; 28/01/2006 & 09/03/2006

3. CODE OF CONDUCT

Board of Directors of the Company have laid down the Code of Conduct for all its members and Senior Management Personnel who have affirmed their compliance therewith. The Code of Conduct is available on the Company's Website.

4. AUDIT COMMITTEE

The Board of Directors of the Company had constituted an Audit Committee, comprising of Mr. V. Vanchi (Chairman), Mr. Supriyo Mukherjee and Mr. Ranjit Chaudhri.

But as per the requirements under Clause 49 of the Listing Agreement w.e.f. 31.12.2005, the Audit Committee shall have minimum 3 Directors as members and two-thirds of the members of Audit Committee shall be Independent Directors. The Chairman of the Audit Committee shall be an Independent Director and atleast one member shall have accounting or related financial management expertise. Mr. V. Vanchi, due to his having pecuniary interest in other related companies was ceased to be the member of the Audit Committee w.e.f. 28th October, 2005. Accordingly, the Board of Directors of the Company in their Meeting held on 28/10/2005, has reconstituted the Audit Committee, which comprises of Mr. Ranjit Chaudhri (Chairman), Mr. Supriyo Mukherjee and Mr. A. D. Nanaiya, all of whom are Non Executive Independent Directors. Mr. Supriyo Mukherjee has adequate financial and accounting qualifications.

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The terms of reference of the Audit Committee covers the matter specified for Audit Committee under the Listing Agreement and the Companies (Amendment) Act, 2000 and is vested with the following powers :

- To investigate any activity within its terms of reference
- To seek information from any employee
- To obtain outside legal or other professional advices.
- To secure attendance of outsiders with relevant expertise, if considered necessary.
- Review of Company's Financial reporting process.
- Review of Half yearly and annual financial statements, before submission to the Board.
- Review with External Auditors, on areas of concern.
- Review the adequacy of internal control systems.

Date of Audit Committee Meeting held and attended by the Members	Mr. V. Vanchi	Mr. Supriyo Mukherjee	Mr. Ranjit Chaudhri	Mr. A. D. Nanaiya
26.05.2005	YES	YES	YES	—
25.07.2005	YES	YES	YES	—
28.10.2005	—	YES	YES	—
28.01.2006	—	YES	YES	YES

The Statutory Auditor, the Managing Director and the Internal Auditor attended all the Audit Committee Meetings held during the year.

Mr. R. Radhakrishnan, acts as the Secretary of the Committee.

5. REMUNERATION TO DIRECTORS

The Board of Directors has constituted the Remuneration Committee, which includes Mr. V. Vanchi (Chairman), Mr. A. D. Nanaiya and Mr. Supriyo Mukherjee.

The Details of Remuneration paid to Directors for the year ended 31st March, 2006 are as follows:

Name of the Director	Sitting Fees	Salaries & Perquisites	Commission
Mr. Deepak Khaitan	Rs.16,000/-	—	—
Mr. S.K. Jalan	—	17,99,245/-	6,57,084/-
Mr. V. Vanchi	Rs. 32,000/-	—	—
Mr. A.D. Nanaiya	Rs. 12,000/-	—	—
Mr. Supriyo Mukherjee	Rs. 40,000/-	—	—
Mr. Padam Kumar Khaitan	Rs.12,000/-	—	—
Mr. Ranjit Chaudhuri	Rs. 40,000/-	—	—

The Company does not have any Employees Stock Option Scheme.