



KILBURN CHEMICALS LTD.

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**ANNUAL
REPORT
AND
ACCOUNTS
2006-2007**

KILBURN CHEMICALS LTD.**DIRECTORS**

B. P. JALAN - *Chairman*
S. K. JALAN - *Managing Director*
V. VANCHI
A. D. NANAIYA
R. CHAUDHRI
A. CHATRATH
P. K. BHATTACHARJEE

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 17TH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 17th Annual General Meeting of the Company will be held on Tuesday, the 21st August, 2007, at the "The Music Academy", "Kasturi Srinivasan Hall (Mini Hall), New No.168 (Old No.306) T.T.K. Road, Chennai 600 014 at 11.00 A.M. to transact the following :

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2007 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.V. Vanchi who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Shri.Anand Chatrath, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and to authorize the Board to fix their remuneration.

Registered Office :

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

Dated : 15th June, 2007.

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 14th day of August, 2007 to 21st day of August, 2007 (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.

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

Shri.V. Vanchi, 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.Anand Chatrath, 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.

KILBURN CHEMICALS LTD.

**Details of Directors seeking appointment/reappointment in the
Annual General Meeting scheduled to be held on 21st August, 2007**

Name of the Director(s)	Shri.V. Vanchi	Shri.Anand Chatrath
Age	60 years	48 years
Date of Appointment	30th January,1992	29th January, 2007
Expertise in specificFunctional Areas	Professional with over 38 years experience in projects, finance & general management	Chartered Accountant
Qualification	B.M.E.(Hons); D.C.M.	B.Com., F.C.A
List of outside Directorship held	<ol style="list-style-type: none"> 1. Kilburn Office Automation Ltd. 2. The Scottish Assam India Ltd. 3. Nirvan Commercial Company Ltd. 4. KRL Finance & Investments Ltd. 5. Sandeep Investments Ltd. 6. Supriya Finance Ltd. 7. Kilburn Software Technologies India Ltd. 8. Latika Financers Pvt. Ltd. 	<ol style="list-style-type: none"> 1. Nicco Park & Resorts Ltd. 2. Chatrath Capital Services Pvt.Ltd. 3. Sunflag Commercial Private Limited 4. AAC Construction Co.(P) Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Chairman : <ol style="list-style-type: none"> 1. Remuneration Committee 2. Shareholders' / Investors Grievance Committee 	Member : Audit Committee
Chairman/Member of the Committees of Director of other Companies in which he is a Director		
(a) Audit Committee	NIL	Chairman: Nicco Park & Resorts Ltd.
(b) Remuneration Committee	NIL	Member : Nicco Park & Resorts Ltd.
(c) Shareholders/ Investors Grievance Committee	Member : Kilburn Office Automation Ltd.	Chairman Nicco Park & Resorts Ltd.

KILBURN CHEMICALS LTD.**DIRECTORS' REPORT**

Your Directors take immense pleasure in presenting the 17th Annual Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2007.

FINANCIAL HIGHLIGHTS

	(Rs. in lacs)	
	<u>2006-07</u>	<u>2005-06</u>
Turnover (Gross)	7,986	7,217
Gross Profit (PBIDT)	1,399	1,255
Interest	170	105
Depreciation for the year	313	239
Profit Before Tax (PBT)	916	911
Provision for Income Tax	110	83
Provision for Deferred Tax	111	(18)
Net Profit After Tax (PAT)	695	846
Add : Surplus/(Loss) brought forward from previous year	1,019	462
Profit available for Appropriation	1,714	1,308
Transferred to General Reserve	70	70
Proposed Dividend	192	192
Dividend Tax	32	27
Balance carried forward to next year	1,420	1,019

OPERATIONS

During the year under review, your Company was able to sustain its steady growth on both production and sales. Production and sale of Titanium Dioxide quantitatively increased by 7.09% and 6.82% respectively over the previous year. Net sales revenue grew by 12.80% over the previous year from Rs.6273.15 lacs to Rs.7076.19 lacs and this was possible on account of both higher volumes and selling price increase. Increased thrust on exports resulted in export growth of 188% over previous year and 33.60% of the Company's production of Anatase Grade Titanium Dioxide was exported to developed global markets. Besides, 931 M.T of Ferrous Sulphate was also exported during the year.

Steep increase in prices of critical raw materials & utilities especially Furnace Oil and appreciation of the Indian Rupee adversely impacted operating margins on both domestic and export sales. Though the Profit Before Interest, Depreciation & Tax (PBIDT) increased by 11.48% from Rs.1254.70 lacs to Rs.1398.76 lacs, the Net Profit growth was very marginal over the previous year, due to increased provision for interest and depreciation necessitated by the on-going expansion project.

Product	Production (in Tonnes)	Sales (in Tonnes)
Anatase Grade Titanium Dioxide	11043.000 (10312.000)	11197.400 (10482.475)
Ferrous Sulphate Heptha-hydrate	20763.000 (20565.000)	19307.900 (17262.100)

The project undertaken by your Company to step up its production capacity by over 30% was completed towards end of March, 2007. The benefit from this expansion, implemented partly with external borrowings, should be available during the current year.

PREFERENCE DIVIDEND

Your Directors recommend Dividend of 11% on the Cumulative Redeemable Preference Shares for the period from 1st April, 2006 to 31st March, 2007 amounting to Rs.43.03 lacs.

EQUITY DIVIDEND

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

FUTURE OUTLOOK

Indian economy is in a favourable growth phase. Sustained steady growth in the manufacturing and service sectors, healthy FDI inflows, bullish real estate and stock market etc. are driving the economy forward with confidence. Viewed in this context and the growth projected by the major user industries like paints, plastics etc., it is expected that demand for Titanium Dioxide will continue to remain buoyant. Accordingly, your Company has also taken on anvil a further expansion to double the production capacity in the next 18 months. Simultaneously the Company is also planning to enrich the product-mix by more value-added products. The Company proposes to fund the capital investments required for this major expansion by a mix of secured borrowings and internal generations.

Your Company is bench-marking the manufacturing parameters to international practices to ensure product quality of global standards. The Company continues to pursue R&D aggressively oriented towards process improvements, cost reductions and new value-added products, to improve its competitiveness. The Company's short and long term plans are directed towards maximizing profits and shareholders' wealth.

KILBURN CHEMICALS LTD.**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, 2007, 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, 2007, in compliance with the Central Government directives in this regard.

DIRECTORS

Shri Deepak Khaitan, Shri Supriya Mukherjee and Shri Padam Kumar Khaitan, Directors resigned from the Board of the Company w.e.f. 29.01.2007 and in their places, Shri B.P. Jalan, Shri Anand Chatrath and Shri Parag Keshar Bhattacharjee have been co-opted by the Board w.e.f. 29.01.2007.

Shri V. Vanchi and Shri Anand Chatrath 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., Tamilnad Mercantile Bank Ltd. and the State Industries Promotion Corporation of Tamil Nadu 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 : 15th June, 2007 *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 2006-2007	Last Year 2005-2006
1) Electricity :			
a) Purchased :			
Units	67,44,061	97,66,818	
Total Amount	Rs.3,10,12,879	Rs.4,27,58,648	
Rate/Unit	Rs.4.60	Rs.4.38	
b) Own Generation :			
(i) Through Diesel Generator			
Units	4,13,299	2,53,116	
Units per litre of Fuel	3.31	3.02	
Cost per Unit	Rs.8.41	Rs.7.67	
(ii) Through Steam			
Turbine/Generator (Units)	49,52,769	2,82,206	
2) Coal :	NIL	NIL	
3) Furnace Oil/Kerosene :			
Quantity (K.Ltrs.)	4328.585	3491.225	
Total Amount	Rs.7,42,35,394	Rs.5,41,08,073	
Average Rate	Rs.17,150.04	Rs.15,498.31	
4) Others :			
Firewood :			
Quantity (M.Tons)	11,068.360	9,773.300	
Total Amount	Rs.2,17,65,599	Rs.1,84,14,550	
Average Rate	Rs.1,966.47	Rs.1,884.17	
B) Consumption per unit of production :			
i) Titanium Dioxide :			
a) Power	870 Units	792 Units	
b) Furnace Oil/Kerosene	392 Litres	339 Litres	
c) Fire Wood	1 Tonne	0.948 Tonnes	
ii) Ferrous Sulphate Heptha Hydrate			
Power	121 Units	104 Units	

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

A. MANDATORY REQUIREMENTS**1. COMPANY'S PHILOSOPHY ON CODE OF 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.

2. BOARD OF DIRECTORS

The Board of Directors of your Company consists of eminent persons with considerable professional expertise and experience in business and industry, finance management, legal and marketing. The composition of the Board of Directors with reference to number of Executive and Non-Executive Directors, meets with the requirements of Clause 49(1)(A) of the Listing Agreement.

None of the Directors on the Board is a member of more than ten Committees and Chairman of more than five Committees across all companies in which they are Directors.

The composition, status, attendance at the Board Meetings and the last Annual General Meeting (AGM), outside Directorships and other Board Committees as at 31st March, 2007 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 B.P. Jalan	Non Executive Chairman	4	—	4	**	NO
Shri S. K. Jalan	Executive Managing Director	9	1	4	4	YES
Shri V. Vanchi	Non Executive Director	8	1	4	4	YES
Shri A. D. Nanaiya	Non Executive Independent Director	1	—	4	3	YES
Shri Ranjit Chaudhri	Non Executive Independent Director	2	2	4	4	YES
Shri Anand Chatrath	Non Executive Independent Director	1	4	4	**	No
Shri Parag Keshar Bhattacharjee	Non Executive Independent Director	8	7	4	**	No

** Appointed as Director w.e.f. 29-01-2007.

Four Board Meetings were held during the year 2006-07 on 29-4-2006, 31-7-2006; 30-10-2006 and 29-1-2007.

KILBURN CHEMICALS LTD.**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 has also been displayed on the Company's Website.

CEO/CFO CERTIFICATION :

In terms of Clause 49 of the Listing Agreement, the certification by the Managing Director & CEO and Chief Financial Officer on the financial statements and internal controls relating to financial reporting has been obtained.

4. AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company, inter-alia, provides assurance to the Board on the adequacy of the Internal Control Systems and financial disclosures.

The terms of reference of the Audit Committee covers the matter specified for Audit Committee under Clause 49 of 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.

The Audit Committee while reviewing the Annual Financial Statements also reviewed the applicability of various Accounting Standards (AS) issued by The Institute of Chartered Accountants of India. Compliance of the AS as applicable to the Company has been ensured in the Financial Statements for the year ended March 31, 2007.

The Board of Directors of the Company had constituted an Audit Committee comprising of Shri.Ranjit Chaudhri, (Chairman); Shri.A.D. Nanaiya and Shri.Supriyo Mukherjee. Due to the resignation of Shri.Supriyo Mukherjee, Non-Executive Independent Director, the Audit Committee has been re-constituted as follows :

Shri.Ranjit Chaudhri is the Chairman of the Audit Committee and Shri. A.D. Nanaiya & Shri.Anand Chatrath are the Members of the Audit Committee.

The Audit Committee is constituted in accordance with the provisions of Clause 49(II)(A) of the Listing Agreement and Section 292A of the Companies Act, 1956. Shri.Anand Chatrath is a Chartered Accountant and possesses knowledge of corporate finance, accounts and company law. The Statutory Auditor and Internal Auditor are also invited to the Meetings. The quorum for the Audit Committee Meetings is two members. Mr.J. Thangadurai, acts as the Secretary of the Committee.

Date of Audit Committee Meeting held and attended by the Members	Mr. Ranjit Chaudhri	Mr. A. D. Nanaiya	Mr.Supriyo Mukherjee	Mr. Anand Chatrath
29.04.2006	YES	NO	YES	NO*
31.07.2006	YES	YES	YES	NO*
30.10.2006	YES	YES	YES	NO*
29.01.2007	YES	YES	NO**	NO*
			** Resigned on 29.01.2007	*Appointed as Director w.e.f. 29.01.2007

KILBURN CHEMICALS LTD.

Shri J. Thangadurai acts as the Secretary of the Committee. Shri R. Radhakrishnan, Vice President-Commercial & Company Secretary resigned from the service of the Company on 17.06.2006. Management is taking necessary steps and has advertised for filling up the said vacancy suitably.

INTERNAL AUDIT

The Company has appointed Mr. Shyamal Kumar Banerjee, Chartered Accountant as Internal Auditor to review the internal control systems of the Company and to report thereon. The report of the Internal Auditors is reviewed by the Audit 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.Anand Chatrath.

REMUNERATION TO DIRECTORS.

The Details of Remuneration paid to Directors for the year ended 31st March, 2007 are as follows :

Name of the Director	Sitting Fees	Salaries & Perquisites	Commission	No. of Shares held
Mr. B. P. Jalan	—	—	—	100
Mr. S.K. Jalan	—	25,31,766	8,64,167	25255
Mr. V. Vanchi	Rs. 16,000/-	—	—	4705
Mr. A.D. Nanaiya	Rs. 24,000/-	—	—	—
Mr. Ranjit Chaudhuri	Rs. 32,000/-	—	—	—
Mr. Anand Chatrath	—	—	—	—
Mr. P. K. Bhattacharjee	—	—	—	—
Directors Resigned				
Mr. Supriyo Mukherjee	Rs. 24,000/-	—	—	—
Mr. Padam Kumar Khaitan	Rs. 8,000/-	—	—	—

The Company does not have any Employee Stock Option Scheme.

The agreement with the Managing Director is for a period of three years, notice period is of 6 months and Service Contract is from 14th November, 2006 to 13th November, 2009.

The remuneration of the Managing Director is determined by the Board within the statutory limits subject to shareholder's approval and on the basis of recommendation of the Remuneration Committee.

6. SHARE TRANSFER COMMITTEE (INVESTORS/SHAREHOLDER'S GRIEVANCE COMMITTEE)

The Committee is headed by Mr. V. Vanchi, Non Executive Director. The other members of the Committee include Mr. S.K. Jalan, Executive Managing Director and Mr. A.D. Nanaiya, Non Executive Independent Director.

The Committee looks into redressal of investor's grievances, various matters relating to the transfer and transmission of shares, issue of duplicate share certificates, approving of split and consolidation requests and other matters relating to transfer and registration of shares. All valid requests for share transfers received during the year have been acted upon and there were no shares pending for transfer as on 31st March, 2007.