



KHAITAN CHEMICALS & FERTILIZERS LIMITED



29TH ANNUAL REPORT 2010-2011

KHAITAN CHEMICALS & FERTILIZERS LIMITED

<p>ANNUAL GENERAL MEETING:</p> <p>Date : 29, July, 2011 Day : Friday Time : 1.00 P.M. Place : Registered Office</p>	<p>BOARD OF DIRECTORS:</p> <p>Shailesh Khaitan : Chairman & Managing Director J. L. Jajoo : Director O. P. Bagla : Director Dr. P. Goyal : Director Vijay Gupta : Additional Director (w.e.f. 18.05.11)</p>																				
<p>REGISTERED OFFICE:</p> <p>A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone -451569 (M.P.)</p>	<p>PRESIDENT & SECRETARY:</p> <p>R. S. Vijayvargiya</p>																				
<p>INDORE OFFICE:</p> <p>301-308, Apollo Arcade, 1/2, Old Palasia, Indore -452018 (M.P.)</p>	<p>AUDITORS:</p> <p>M/s. S. S. Kothari Mehta & Co. 146-149, Tribhuvan Complex, Ishwar Nagar, Mathura Road, New Delhi-110065</p>																				
<p>DELHI OFFICE:</p> <p>201, Skipper House, 62-63, Nehru Place, New Delhi-110019</p>	<p>KOLKATA OFFICE:</p> <p>46-C, Rafi Ahmed Kidwai Road, 3rd Floor, Kolkata-700 016</p>																				
<p>WORKS :</p> <p>Fertilizers & Chemical Division:</p> <ol style="list-style-type: none"> 1). A.B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone -451569 (M.P.) 2). Village Goramachia, Kanpur Road, Jhansi -248001 (U.P.) 3). Village Dhinva, Tehsil Nimbahera Dist. Chittorgarh -312601 (Rajasthan) 4). A-1, UPSIDC Industrial Area, Malwan, Dist. Fatehpur-212664 (U.P.) 5). Village Farhad (Somni), Dist. Rajnandgaon - 491443(Chattisgarh) <p>Processing facility at Arihant Phosphate & Fertilizers Ltd.</p> <ol style="list-style-type: none"> 6). Village Sagwadia, Tehsil Nimbaheda, Dist. Chittorgarh - 312601 Rajasthan <p>Soya Division: Dosigaon Industrial Area, Ratlam - 457001 (M.P.)</p>	<p>SOLICITORS:</p> <p>M/s. Khaitan & Partners Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-110001</p> <p>BANKERS:</p> <p>State Bank of India, IDBI Bank Ltd. Corporation Bank HDFC Bank Ltd.</p> <p>CONTENTS:</p> <table style="width: 100%; border: none;"> <tr><td>Notice</td><td style="text-align: right;">: 3-4</td></tr> <tr><td>Directors' Report</td><td style="text-align: right;">: 5-7</td></tr> <tr><td>Management Discussion & Analysis Report</td><td style="text-align: right;">: 8-9</td></tr> <tr><td>Corporate Governance Report</td><td style="text-align: right;">: 10-14</td></tr> <tr><td>Auditor's Report</td><td style="text-align: right;">: 15-17</td></tr> <tr><td>Balance Sheet</td><td style="text-align: right;">: 18</td></tr> <tr><td>Profit & Loss Account</td><td style="text-align: right;">: 19</td></tr> <tr><td>Cash Flow Statement</td><td style="text-align: right;">: 20</td></tr> <tr><td>Schedules to Accounts</td><td style="text-align: right;">: 21-33</td></tr> <tr><td>Balance Sheet Abstract</td><td style="text-align: right;">: 34</td></tr> </table> <p>Listing of Shares:</p> <p>The Bombay Stock Exchange Ltd., Mumbai (B.S.E.) Stock Code: 507794 ISIN No.: INE745B01010 (NSDL & CDSL)</p>	Notice	: 3-4	Directors' Report	: 5-7	Management Discussion & Analysis Report	: 8-9	Corporate Governance Report	: 10-14	Auditor's Report	: 15-17	Balance Sheet	: 18	Profit & Loss Account	: 19	Cash Flow Statement	: 20	Schedules to Accounts	: 21-33	Balance Sheet Abstract	: 34
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Note: As per SEBI Circular No. MRD/DoP/Cir-05/2009 dated May 20, 2009 it will be mandatory for the transferee(s) to furnish copy of PAN card to the Company/RTAs for registration of transfer of shares in physical form of listed company. In absence of above transfers will be liable to be rejected.

NOTICE

NOTICE is hereby given that the **TWENTY NINTH ANNUAL GENERAL MEETING OF KHAITAN CHEMICALS & FERTILIZERS LIMITED** will be held at the registered office of the Company at A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone, Madhya Pradesh on **Friday, 29th day of July, 2011** at 1.00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited statement of accounts for the year ended 31st March, 2011 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 2011.
3. To appoint a director in place of Mr. J.L.Jajoo, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s) the following Resolution as Ordinary Resolution:

Sub-division of shares and alteration of the Memorandum of Association:

"RESOLVED THAT pursuant to the provisions of Article of Association of the Company and Section 94 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, and subject to such conditions as may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall also include any committees thereof) consent of the Members of the Company be and is hereby accorded for sub-dividing the equity shares of the Company, including the paidup shares, such that each existing 1 Equity Share of the Company of face value of Rs 10/- (Rupee ten) each be sub-divided into 10 Equity Shares of the face value of Rs. 1/- (Rupee One) each and that consequent to the sub-division of the Equity Shares of the Company becoming effective, the Authorised Share Capital of the Company of Rs. 22,00,00,000 (Rupees Twenty Two Crores only) would comprise of 22,00,00,000 (Twenty Two Crores) Equity Shares of Rs. 1/- each and therefore consequent to the sub-division of the Equity Shares of the Company becoming effective, the existing Clause V of the Memorandum of Association of the Company relating to share capital be and is hereby altered by deleting the same and substituting in place thereof, the following as new Clause V:

- V. The Authorised Share Capital of the Company is Rs. 22,00,00,000/- (Rupees Twenty Two Crores only) divided into 22,00,00,000 (Twenty Two Crores) Equity Shares of Rs. 1/-(Rupee One only) each, with power to classify or reclassify, increase or reduce the capital from time to time in accordance with the regulations of the Company and the legislative provisions for the time being in force in this behalf and with the power to divide the share capital for the time being into several classes and to attach thereto respectively any preferential, qualified or special right, privileges or conditions including as to voting and to vary, modify or abrogate the same in such manner as may be permitted by the Act or as may for the time being be provided for by these presents and the Articles of Association of the Company."

"RESOLVED FURTHER THAT pursuant to the sub division of the equity shares of the Company, the issued, subscribed and paid up equity shares of face value Rs. 10/- (Rupees Ten) each, shall stand sub-divided into equity shares of face value of Rs. 1/- (Rupee One) each, fully paid-up."

"RESOLVED FURTHER THAT the existing share certificate(s) in relation to the equity share capital held in physical form be cancelled and new share certificate(s) of face value of Rs. 1/- (Rupees one) each be issued in exchange/place of the old share certificate(s) of face value Rs. 10/- (Rupees Ten) each, in respect of the equity shares held by the members of the Company

consequent upon the sub-division of equity shares as aforesaid and in case of shares held in the dematerialized form, the sub-divided equity shares be credited to the respective demat accounts of the beneficiaries in lieu of the existing shares held by them as on the record date fixed for the purpose."

"RESOLVED FURTHER THAT the any of the Directors of the Company and/or any person(s) authorised by any of the Directors of the Company be and is/are hereby authorised to do, perform and execute all such acts, deeds matters and things as it may consider necessary, expedient, usual or proper to give effect to this resolution including but not limited to fixing of the record date as per the requirement of the Listing Agreement, execution of all necessary documents with the Stock Exchange and the Depositories, Reserve Bank of India and/or any other relevant statutory authority, if any, cancellation or rectification of the existing physical share certificates in lieu of the old certificates and to settle any question or difficulty that may arise with regard to the sub-division of the equity shares as aforesaid or for any matters connected herewith or incidental hereto."

6. To consider and if thought fit, to pass with or without modification(s) the following Resolution as Special Resolution:

Alteration of the Articles of Association:

"RESOLVED THAT consequent to the sub-division of the Equity Shares of the Company becoming effective as stated at Item No. 5 of this Notice and in pursuance to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Clause 3 of the Article of Association of the Company be and hereby altered by deleting the same and substituting in place thereof, the following as new Clause 3:

3. The Authorised Share Capital of the Company shall be of such amount and description as is stated for the time being in Clause V of the Memorandum of Association of the Company."

7. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of section 257 of the Companies Act, 1956 and other applicable provisions if any, Shri Vijay Gupta, be and is hereby appointed as a director of the Company and liable to retire by rotation".

Registered Office: By Order of the Board
A. B. Road, Village-Nimrani, S/d
Dist. Khargone (M.P.) (R. S. Vijayvargiya)
Date: May 18, 2011 President & Secretary

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself and such proxy need not be a member of the Company. Proxy Form must be received at the Company's Registered Office at least 48 hours prior the meeting.
2. The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued a circular on April 21, 2011 stating that the service of document by a company can be made through electronic mode. Members are requested to registered their e-mail address with the Company for sending the notice, annual report, and other documents through e-mail. We are sure you would appreciate the "Green Initiative" taken by MCA and your company's desire to participate in such initiatives.
3. Member(s)/Proxies are requested to bring the attendance slip annexed herewith, duly filled in, for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 22 July, 2011 to 29 July, 2011,



KHAITAN CHEMICALS & FERTILIZERS LIMITED

both days inclusive for the purpose of payment of dividend, if declared at the Annual General Meeting.

5. Members are requested to notify to the Company immediately, quoting Registered Folio No., change in their address, if any, with the pin code number.
6. Non-resident members are requested to immediately notify: - (i) change in their residential status on return to India for permanent settlement; and (ii) particulars of NRE account, if not furnished earlier.
7. Members who are holding shares in identical names in more than one folio, are requested to write to the Company/Ankit Consultancy Pvt. Ltd., the Registrar and share transfer agent, to consolidate their holding in one folio.
8. Shareholders who are still holding physical share certificate are advised to dematerialise their shareholding to avail benefit of dematerialisation.
9. The Company has transferred all unpaid/unclaimed equity dividends up to the financial year 2002-03 to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to section 205C of the Companies Act, 1956.
10. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the President & Secretary at least seven days before the date of the meeting so that the required information can be made available at the meeting.
11. Profiles of directors being re-appointed, as required under Clause 49 of the Listing Agreement, are annexed hereto and form part of the Notice.
12. Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is annexed.

Explanatory Statement: Pursuant to Sec 173 (2) of the Companies Act 1956.

Item No. 5 and 6:

The Equity shares of the Company are listed and are actively traded on the Bombay Stock Exchange Limited (BSE). The market price of the Company has witnessed significant growth over the past few years and the shares are presently quoted in the range of around Rs. 130/- to 140/- per share of Rs. 10/- each.

The Board is considering to split/sub-divide the face value of its shares from Rs.10 per share to a lower face value to make them more affordable and to increase liquidity. In view of this, the Board of Directors of the Company ('the Board') at their meeting held on 18th May, 2011, considered it desirable to sub-divide the nominal value of

the equity share capital of the Company from Rs. 10/- (Rupees Ten) per share to Rs. 1/- per share as proposed in the resolution.

Consequent to the sub-division of the shares, the Capital Clause V in the Memorandum of Association and Clause 3 of the Articles of Association of the Company are required to be altered by the amending Clause V and Clause 3 respectively as detailed in the resolutions.

As per provisions of section 94 of the Companies Act, 1956, a Company may after obtaining the approval of Members by way of Ordinary Resolution alter its share capital by sub-dividing the shares and consequent alteration of relevant capital clauses of Memorandum and Articles of Association of the Company are also approved by the Members by way of Ordinary Resolution and Special Resolution respectively. After the resolutions have been adopted by the Members, the Company will fix a record date for splitting the share certificate. Upon approval of the members for sub-division of shares are held in physical, the old share certificates of face value of Rs. 10/- each will be cancelled on the record date and new share certificates of face value Rs. 1/- each will be issued in place of the old share certificate. In case the shares are in dematerialized form on the record date, the sub divided shares of Rs. 1/- each will be directly credited to the Members demat account in lieu of their existing shares of Rs. 10 each. A Copy of the Memorandum & Article of Association of the Company showing proposed alteration is available for inspection at the Registered Office of the Company on any working day between 11.00 A.M. to 1.00 P.M. till 29.07.2011. None of the Directors of the Company is interested in the resolutions except to the extent of their respective Shareholdings in the Company.

ITEM No. 7:

Shri Vijay Gupta was appointed as an Additional Director at the meeting of Board of Directors held on May 18, 2011. He hold office up to date of ensuing Annual General Meeting. Shri Vijay Gupta is the Businessman and he is having rich & vast experience in the field of Trade/Marketing. The Company would benefit by his appointment.

Notice as required under section 257 of the Companies Act, 1956 together with the requisite deposit has been received from a member proposing the appointment of Shri Vijay Gupta as Director of the Company. Your Directors recommend the resolution for approval. None of the Directors of the Company except Shri Vijay Gupta is concerned or interested in the resolution relating to appointment.

Registered Office:
A. B. Road, Village-Nimrani,
Dist. Khargone (M.P.)
Date: May 18, 2011

By Order of the Board
S/d
(R. S. Vijayvargiya)
President & Secretary

Details of Directors seeking re-appointment at the Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri J.L. Jajoo	Shri Vijay Gupta
Age	68 years	54 years
Qualification	Chartered Accountant	Businessman
Date of Appointment	1 st January, 1991	18 th May, 2011
Expertise	Rich and vast experience in the field of Management and finance.	Rich & vast experience in the field of Trade/Marketing.
Other Directorships (excluding Pvt. Companies) as on 31 st March, 2011	Nil	Nil
Chairman / Member of the Committees as on 31 st March, 2011	Members in Audit Committee, Shareholders'/Investors' Grievance Committee & Remuneration Committee: Khaitan Chemicals & Fertilizers Ltd.	Nil



DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 29th annual report of the Company and audited statement of accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

The financial performance of the Company for the year ended 31st March, 2011 is summarised below:

(Rs. in lacs)

	2010-2011	2009-2010
Profit before interest and depreciation	7141.41	876.88
Less: Interest & financial expenses	1635.00	101.63
Cash profit before tax	5506.41	775.25
Less: Depreciation	666.16	702.86
Misc. expenses written off	-	0.56
Prior period adjustments	190.57	35.02
Profit before taxation	4649.68	36.81
Less: Provision for taxation (incl. deferred tax)	1499.86	(61.19)
Short provision for taxation—earlier years	7.00	17.32
Profit after taxation	3142.82	80.68
Add: Transfer from Capital Subsidy	2.83	2.83
Net Profit	3145.65	83.51
Add: Profit brought forward from previous year	2156.61	2309.27
Amount available for appropriations	5302.26	2392.78
Less: Transfer to-		
General reserve	1000.00	100.00
Proposed dividend	232.77	116.39
Corporate tax on dividend	37.76	19.78
Balance carried forward to Balance Sheet	4031.73	2156.61

REVIEW OF OPERATIONS

Fertilizer & Chemicals Division:

The introduction of the Nutrient-Based Subsidy (NBS) policy of the Government of India w.e.f. 1st May, 2011 is a welcome step. Pursuant to the NBS Policy, Company expects healthy growth in the demand for fertilizers, especially SSP, complex fertilizers & customized fertilizers, on the back of promotion of a more balanced nutrient consumption. The Single Super Phosphate fertilizer is a generic customized fertilizer containing sulphur, calcium & other micro nutrients besides phosphate.

The Nutrient Base Subsidy (NBS) is a long term positive for Fertilizer Industry with free market mechanism encouraging more interaction between producers and farmers for efficient use of fertilizer for better agricultural output.

We are confident that in a rational subsidy scheme, the SSP industry shall benefit the most resulting in higher availability of this 'generic customized fertilizer' for Indian farmers at competitive prices with no extra cost to exchequer.

During the year 2010-11, the Company produced 433393 MT (previous year 332543 MT) Single Super Phosphate and sold 451067 MT (previous year 244520 MT) which was highest ever production and sales by the Company.

The Company's net profit (after tax) for the year is Rs. 3145.65 Lacs, which is not only highest but also exceeds the total of last 4 years, despite not so good performance of the Soya Division.

The Company is determined to perform better in the current year and achieve a higher capacity utilization.

Soya Division:

The Company is continuing with its cautious approach while considering speculative fluctuations in the market and negligible upfront crushing margin. The Company is adequately leveraging its position by hedging its inventories to counter the high volatility.

During the year, the Company has crushed 42541 MT (previous year 12135 MT) Soybean seed including 10551 MT (previous year NIL) through Job work basis

DIVIDEND

The Board of Directors is pleased to recommend final dividend of Rs.2.40 per equity share for the year 2010-2011 as compared to Rs.1.20 per equity share paid in the previous year.

CAPITAL RESTRUCTURING

The Board subject to necessary approval and amendment to Memorandum and Article of Association of the Company recommend split of its shares from Rs. 10/- ((Rupees Ten) per share to Rs. 1/- (Rupee one) per share. This will increase the liquidity of the shares in the market.

PROJECTS & FINANCE

The Company has acquired manufacturing facilities of SSP and Sulphuric Acid from M/s Jairam Phosphates Ltd., at Rajnandgaon



KHAITAN CHEMICALS & FERTILIZERS LIMITED

(Chhattisgarh) during the year for production of upto 66,000 TPA of SSP Fertiliser and 49,500 TPA of Sulphuric Acid.

The operations of the plant commenced in March, 2011. The acquisition was funded by a term loan of Rs. 1000 lacs and with internal accruals.

Further, the SSP Project for 2,00,000 TPA at Dahej (Gujarat) has received the much awaited statutory environmental clearance and civil work is being started shortly. The Company expects to start production in the current financial year. The project cost of Rs. 3000-3500 lacs shall be financed through internal accruals and term loans.

The Company had completed erection of LABSA (Linear Alkylbenzene Sulfonic Acid) plant at Nimrani which shall be commissioned shortly. This shall enable utilization of the waste products of the acid plant.

HDFC Bank Limited & Corporation Bank have become part of our banking consortium after merging of State Bank of Indore with State Bank of India.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year under review, pursuant to the provisions of Section 58A of the Companies Act, 1956 and the Deposit Rules.

AUDITORS & AUDIT REPORT

M/s. S. S. Kothari Mehta & Co., Chartered Accountants, New Delhi, Statutory Auditors of the Company retire at the conclusion of ensuing annual general meeting and being eligible, offer themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment as Statutory Auditors of the Company, if made, would be within the limit prescribed u/s 224 (1) of the Companies Act, 1956 and also received peer review certificate issued by the ICAI 'Peer Review Board', as required under Clause 49 of listing agreement.

All notes on accounts referred to and the Auditors' Report are self-explanatory and therefore do not call for any explanatory note.

COST AUDIT

The Board of Directors, in pursuance of an order under section 233B of the Companies Act, 1956, issued by the Central Government, has appointed M/s. M. P. Turakhia & Associates, Cost Accountants, Indore as Cost Auditors to conduct audit of the cost accounts maintained by the Company in respect of Fertilizer and Sulphuric Acid products for the financial year 2011-2012.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Information required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed in **Form-A** and forms part of the report.

Your Directors are of the opinion that the Company has already opted for latest technology for producing Single Super Phosphate, Sulphuric Acid, and Seed Processing & Oil Refinery. Hence, information specified to be given in **Form-B** is not applicable.

FOREIGN EXCHANGE EARNING AND OUTGO

The Company has earned Rs. 85.34 lacs on export of goods (Previous year Rs. NIL) and incurred Rs. 9481.97 lacs (Previous year Rs. 10151.76 lacs) on import of Raw Materials, Capital Goods, Fees & Subscription and Interest on Foreign Currency Loan.

DIRECTORS

Shri Shailesh Khaitan, Chairman & Managing Director has been re-elected on the **Board of Fertilizer Association of India** and is **Chairman of SSP Advisory Committee**. The Board appreciates his efforts and valuable contribution to SSP industry which has brought SSP industry at par with other Fertilizers.

Shri Vijay Gupta was appointed as an additional director of the Company w.e.f 18th May, 2011 and will hold office up to the date of the ensuing Annual General Meeting and being eligible offers himself for re-election. Board greeted the new director.

In accordance with the provisions of the Companies Act, 1956 and the

Articles of Association of the Company, Shri J.L. Jajoo, the director of the Company is due to retire at forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment.

Particulars of the directors seeking re-appointment are provided in the notes forming part of the notice for the ensuing Annual General Meeting, as required under Clause 49 of the listing agreement with the stock exchange.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies (Amendment) Act, 2008, your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as the 31st March, 2011 and of the Profit of the Company for that period;
3. they 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. they have prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report forming part of Directors' Report for the year under review, in accordance with Clause 49 of the listing agreement with stock exchanges, is given in **Annexure - B**.

CORPORATE GOVERNANCE

The Company attaches considerable significance to good Corporate Governance as an important step towards building investors' confidence, improve investors' protection and maximizing long-term shareholder's value. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Compliance Report on Corporate Governance and Auditors' Certificate regarding compliance of conditions of Corporate Governance is given in **Annexure - C**.

LISTING OF SHARES

Shares of the Company are listed on The Bombay Stock Exchange (BSE), which provides wider access to the investor nationwide.

The Company has made all the compliances of Listing Agreement including payment of annual listing fees up to 31st March, 2011 to the BSE.

PARTICULARS OF EMPLOYEES

Information as per the requirement of Section 217(2A) of the Companies Act, 1956 is given in **Annexure-A**.

ACKNOWLEDGEMENT

The Board of Directors, would like to record their sincere appreciation for the support and co-operation that your Company received from the State Bank of India, IDBI Bank Limited, Corporation Bank and HDFC Bank Limited, various departments/ agencies of Central/State Govt., Members, Customers, Suppliers, Employees and other business associates of the Company.

for and on behalf of the Board

Place: New Delhi
Date: 18.05.2011

(SHAILESH KHAITAN)
CHAIRMAN & MANAGING DIRECTOR

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Annexure - 'A'

I - Form 'A' for disclosure of particulars with respect to conservation of energy and forming part of Directors Report:

A) Power & Fuel Consumption:

	Current Year	Previous Year
1. Electricity:		
a) Purchased Units	11120151	8755599
Total amount (Rs. in Lacs)	663.77	546.58
Rate/Unit (Rs.)	5.97	6.24
b) Own generation:		
i. Through diesel generator Units	171736	60778
Total amount (Rs. in Lacs)	21.63	8.92
Rate/Unit (Rs.)	12.59	14.70
ii. Through steam turbine Units *	10977680	7505335
Total amount	-	-
(*Net of Self Consumption in TG)		
2. Coal:		
Quantity (In MT)	2719	1341
Total Cost (Rs. in Lacs)	121.66	55.72
Rate/Unit (MT) (Rs.)	4474.44	4155.11
3. Furnace oil:		
Quantity (K. Lts.)	1326	819
Total Amount (Rs. in lacs)	418.10	206.99
Average Rate /Lt.	31.54	25.32

B. Consumption per Unit of Production:

Item	Product	Current Year	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	29	27
	S.A./Oleum/Liquid So3	63	62
	Soya Oil/Doc	45	62
Coal (KG/MT)	Soya Oil/Doc/Power	71	75

II - Statement Under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule 1975 & Forming part of Directors' Report:

Name of Employees/his Qualification/designation	Age/No. of years Experience	Date of Commencement of Employment	Remuneration (Rs. in Lacs)	Last Employment
Employed through out the year: Shri Shailesh Khaitan B.Com (Hons.)/ Chairman & Managing Director	55/31	01-09-84	119.30	Managing Director, M/s. Majestic Packaging (P) Ltd. Kolkata

Remuneration includes salary, commission, leave travel assistance and expenditure incurred by the Company on other perquisites valued in accordance with the Income Tax Rules, 1962.



KHAITAN CHEMICALS & FERTILIZERS LIMITED

Annexure-B

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

CAUTIONARY STATEMENT

Some of the statements in the report may be forward looking and are stated as required by applicable laws & regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

BUSINESS OVERVIEW:

The Company is mainly engaged in the manufacturing of Single Super Phosphate (Fertilizer) and Soya Edible Oil. Both the segments are related to agriculture and dependent on monsoon.

Segment-wise Business Review and Operational and Financial Performance:

The summarized performance in terms of production and Sales for last 5 years is as under:

(Quantity in MT)

Particular	2010-11	2009-10	2008-09	2007-08	2006-07
Production:					
SSP	433393	332543	226000	175450	327308
Sulphuric Acid	140911	94895	62423	82678	137056
Oleum/Liquid So ₃	2467	4508	4659	5511	4945
Seed Crushing	42541	12135	51395	133575	149493
Refined Oil	7262	5485	11895	19637	23478
Sales:					
SSP	451067	244520	220259	222065	307776
Sulphuric Acid	48730	45941	35668	49374	53143
Soya Oil	6929	5345	12284	25361	24479
De-Oiled Cake	31178	9964	46143	111539	125365

The summarized financial performance for last 5 years is as under:

(Rs. In lacs)

Particular	2010-11	2009-10	2008-09	2007-08	2006-07
Sales:					
Fertilizer	35024.27	15595.54	21459.32	12948.49	14395.29
Soya	10735.83	4690.44	13630.90	26685.63	23042.78
PBIOT:					
Fertilizer	6871.80	1086.84	4240.29	1784.39	994.56
Soya	269.61	(210.53)	87.07	977.39	1801.12
EPS(Rs) :	32.43	0.86	10.61	9.31	9.54
DIVIDEND:	24%	12%	18%	18%	18%

FERTILIZER & CHEMICALS DIVISION:

The Company has India's largest Single Super Phosphate (SSP) production capacity of 9,11,000 MT in the states of Madhya Pradesh, Rajasthan, Uttar Pradesh & Chhattisgarh alongwith Sulphuric Acid (SA) production capacity of 2,70,600 MT in the states of Madhya Pradesh, Uttar Pradesh & Chhattisgarh. Sulphuric Acid is also an intermediary raw material for production of SSP.

The Company, being largest producer and seller of SSP in India, has produced 433393 MT SSP (including 34505 MT through Job work basis), and sold 451067 MT SSP.

The Company was awarded the 'Best Production Performance Award' for its Nimbahera plant from 'The Fertilizer Association of India', consecutively for the second year.

Industry Structure and Developments:

India is basically an agriculture based economy and the fertilizer sector is very crucial for the Indian economy. Main features of this industry are-

- Basic need for agriculture and its development.
- Third largest producers & consumer in the world.
- Highly dependent on Imported Raw Material.
- Highly subsidised by Government of India.
- Substantial Import of Finished Products.

The Government of India has implemented Nutrient Based Subsidy (NBS) Policy for Phosphatic & Potassic Fertilizer w.e.f. April 1, 2010, which will ensure more balanced nutrient consumption.

The Government of India has also declared incentives to new investment in this sector by giving it 'Infrastructure Status' under the Income Tax Act. These new development shall encourage investment in this sector and promote new products.

The Company is producing SSP which contains Phosphates, Sulphur, Calcium and other micro nutrients and could be said to be a 'Generic Customised Fertilizer'. It is an essential Fertilizer for crops like Oilseeds, Pulses, Sugarcane, Fruits and Vegetables, Tea etc. and for sulphur deficient soils.

SSP industry is immensely benefited by NBS Policy which shall ultimately ensure availability of SSP fertilizer which is more farmer friendly, environment friendly, and an agronomically preferred fertilizer. Increased use of SSP shall also help in conserving foreign currency, to the extent it will substitute import of finished 'P & K' fertilizers.

SSP is a lowest priced Fertilizer product on a per kg basis, and therefore very much suitable for small and marginal farmers.

Demand of Fertilizer is not likely to be a problem for the SSP industry, however, timely release of subsidy by Government of India, and distribution will be a major concern.

The Company is continuously enjoying its leading position in SSP industry and further expanding its manufacturing capacity by installing of 2,00,000 TPASS plant at Dahej (Gujarat).

Future Outlook:

The Government of India's commitment for the Fertilizer sector is evident from the introduction of a rational NBS Policy, granting Infrastructure Status to the fertilizer sector & Cash payment of Subsidy (instead of Bonds). This will encourage investment in the sector and shall work towards replacing the import of finished fertilizer products. We expect that the demand for fertilizers will increase gradually consistent with the increased focus on improving crop productivity and with modernization and revival of agricultural sector.

The performance of the Company is expected to be better in coming years considering its basic strengths like high integrated capacity which is already operational, multi-geographical locations and established brands.

Opportunity, Threats, Risk & Concerns:

NBS Policy has thrown open a lot of opportunities for the SSP industry with a stable and level playing field for all Phosphatic Fertilizers. The Company is in an advantageous position for tapping its already established capacity with multi-geographical locations and established brands.

NBS policy may attract new entrants in the market which in fact shall be better for the wider reach of this long neglected product and establishing the SSP industry in its right place. However, Entry of new entrants will also lead to intense competition for market share.

Delay in subsidy payment, uncertainty of monsoon and volatile International market of Raw Material, seasonal consumption of fertilizer (2 months/year) clubbed with logistics availability/ cost and



higher requirement of working capital shall remain concerns for the Industry/Company.

SOYA DIVISION

The Company is having 1400 TPD Soybean crushing capacity along with 100 TPD Edible Oil Refinery located in Soybean growing area i.e., Ratlam, Madhya Pradesh, which is well connected with rail/road network with nearby ports.

The Company is not able to utilize its plant capacity mainly due to already excess capacity in the Industry with continuous new capacities with smaller investments and corresponding higher tax incentives by State Government. Moreover due to long shelf life and an active future commodity market of Soya-Oil and Soybean, Soybean has become a favorite of traders and fund investors, leading to excessive speculation and volatility.

During the year, the Company has crushed 42541 MT (previous year 12135 MT) Soybean seed including 10551 MT (previous year NIL) through Job work basis

Industry Structure and Developments:

The most popular and the largest produced oilseed in the world is soybean. It has got the support of wide variety of climates and soils and that is why it is considered to be the most economical crop and has a good worth.

Soya oil is extracted from the basic soybean through complex refining process by crushing soybeans, 17-18% soy oil is recovered and the rest is called soy meal or De-oiled cake.

The contribution of soy oil in world's total oil production has reached around 25%, after growing at 5.8% P.A. during the last 10 years, and figures around 31 million tons in absolute terms. Countries like U.S, China, Argentina and India has a strong consumer base. Consumption has also risen in other nations like European Union, Central Europe, Egypt, Morocco, Mexico, and Brazil.

Soybean meal comprises of the remnant after the oil extraction. It has high protein content and is easily digestible and that is why it serves as an animal feed and accounts for about 65% of the world's total animal feed.

Soybean holds a very important position in the Indian agriculture and economy. Madhya Pradesh has the lead among the soybean producing states in India. The major trading centers for soy in India include Indore and Ujjain in Madhya Pradesh, Nagpur in Maharashtra and Kota in Rajasthan.

The total crop size in India is about 10-11 million tonnes out of world crop of 250 million tonnes. Soya Oil is consumed in the country while sadly a protein deficient country like India is exporting its cheapest protein containing soy meal to other countries due to poor promotion of its benefits and by incentivising Exports. However, in due course of time home consumption of Soybean meal is bound to increase.

Soybean and Soy-Oil are actively traded in Indian commodity exchanges namely, National Commodity & Derivatives Exchange Ltd. (NCDEX), Multi Commodity Exchange of India Ltd. (MCX) and National Board of Trade Ltd. (NBOT).

Future Outlook:

In India, the crushing capacity of Soybean is much higher than availability of raw material.

In spite of higher capacity, the efficient processing capacity in good locations like ours shall perform reasonably well with higher soybean crop due to increase in yield. Eventually on expiry of incentive period accorded to new entrants existing players like us will have a competitive edge in a level playing field.

Opportunity, Threats, Risk & Concerns:

The Company is enjoying ideal location of its Soya processing plant i.e. at the heart of soybean cultivation area, which assures us a value added advantage in operations.

The present yield per hectare is around 1.2 MT against world average of 2.4 MT. The yield is increasing by adopting good practices by farmers and reasonable return on Input.

The Indian consumption of soy meal/DOC is bound to increase and therefore Indian soy meal need not to compete in International market which produce and sell their surplus soybean with hefty State subsidies to agriculture

Production of soybean is highly dependent on the vagaries of monsoon. The delayed and uneven monsoon creates shortage of raw material thus affecting the capacity utilisation and profitability of the industry. The large crushing capacity with insufficient raw material and volatility of international market make soybean & soya oil very speculative products in Commodity Exchanges

We are continuously repositioning ourselves according to changing market scenario and strengthening our competitive position.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The Company conducts its business with integrity and high standards of ethics, and in compliance with the laws and regulations that govern its business. The Company has a well established system of internal controls in operations, supported by suitable monitoring procedures and self-assessment exercises. The financial and commercial functions at various locations are structured and reviewed timely to provide adequate support and controls for the business of the Company.

In addition to external audit, The Company has appointed M/s Krishan Rakesh & Co., Chartered Accountants, as an internal auditor, who report significant findings to the Audit Committee of the Board. Consequently adequate steps are taken to improve the operations.

HUMAN RESOURCE AND INDUSTRIAL RELATIONS:

Employees are the back-bone of good organization and to motivate them to achieve greater heights, the Company undertook various HR initiatives towards their development, enhancement and retention. The Company considers its highly motivated and well-maintained team as its most valuable asset.

Amidst all the pressures and demands of the growing business, Industrial Relations continued to be cordial with our Union.

ENVIRONMENT AND SAFETY:

The Company has always considered safety and environment one of its key focus area and has always strived to make continuous improvements in these two aspects.

At Company, environment concerns have always taken precedence; Our Factories are certified by OHSAS 18001 through external auditors and have been re-certified for International standards ISO 14001 for Environment Management System.

To address the concerns on Environment Protection, concrete efforts were made towards natural resource conservation. For example, a Sewage Treatment Plant was commissioned at Nimrani Plant. The treated and collected water is currently used for general non drinking uses like cleaning toilets and gardening.

During the year, the company was awarded consecutively for the second year with 'Environmental Protection Award' for its Nimbahera plant by 'The Fertilizer Association of India' and the Company was also awarded by Madhya Pradesh government with 'Environmental Protection Award' for its Nimrani Plant.

During the year, the company was also awarded with 'National Safety Council Award- Manufacturing Sector' for its Nimrani plant by the 'National Safety Council of India'.

CONCLUSION:

The Company dwells on chalking out the best possible future plans and policies so as to avoid the pitfalls and following the best course in the long run. In both the business segments, a focus on assets utilization, earning maximization, continuous growth and relentless strengthening of the internal efficiencies will enable the Company to deliver superior value for its shareholders on a sustained basis in future.



KHAITAN CHEMICALS & FERTILIZERS LIMITED

Annexure - 'C'

REPORT ON CORPORATE GOVERNANCE

1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's Philosophy on Corporate Governance envisages the attainment of high level of transparency and accountability in the functioning of the Company and the conduct of its business internally and externally, including the inter-action with employees, shareholder, creditors, consumer, institutional and other term lenders and place due emphasis on regulatory compliance.

2. BOARD OF DIRECTORS:

COMPOSITION, MEETINGS AND ATTENDANCE:

The present strength of the Board of Directors is four. Out of the four directors, three directors are Non -Executive and independent and Shri Shailesh Khaitan, an Executive Promoter-Director, is the Chairman & Managing Director of the Company. The composition of the Board of Directors meets the stipulated requirement.

The Board's composition and categories as on March 31, 2011, and the attendance of each director at Board meetings and the last Annual General Meeting (AGM) are as under:

Name of Director	Category	No. of Directorship in other Cos. (excluding Pvt. Cos.)	No. of Board Committee Memberships In other Cos	No. of Board Committee for which Chairperson	No. of Board meetings Attended	Whether Attended AGM
Shri Shailesh Khaitan	Promoter, Executive	Three	One	NIL	Six	Yes
Shri J.L. Jajoo	Independent, Non-Executive	NIL	NIL	NIL	Four	Yes
Shri O.P. Bagla	Independent, Non- Executive	NIL	NIL	Three	Eight	Yes
Dr. P. Goyal	Independent, Non- Executive	NIL	NIL	NIL	Six	Yes

During the financial year ended on March 31, 2011. Eight Board Meetings were held on May 3, 2010, May 14, 2010, July 30, 2010, September 30, 2010, October 29, 2010, January 13, 2011, January 31, 2011 and March 12, 2011.

The Company's last Annual General Meeting (AGM) was held on 30th July, 2010.

3. BOARD COMMITTEES:

A. AUDIT COMMITTEE

The present strength of the Audit Committee is three. Shri O.P. Bagla is the chairman of the Audit Committee of the Company. All the members of the Audit Committee are independent and non-executive directors. The terms of reference, and the role of Audit Committee is to overview the accounting system, financial reporting and internal control system of the Company. The powers and role of the Audit Committee are set out in the Clause 49 of the listing agreement and section 292A of the Companies Act, 1956.

(a) Composition, Name of members, Chairperson, Meetings and Attendance during the year:

The Audit committee consisted of the following members as on March 31, 2011:

S. No	Name of Members	Status	No. of Meetings Attended
1.	Shri O.P. Bagla	Chairman	4
2.	Shri J.L. Jajoo	Member	4
3.	Dr. P. Goyal	Member	3

During the financial year ended March 31, 2011, four meetings of Audit Committee were held on May 14, 2010, July 30, 2010, October 29, 2010 and January 31, 2011.

(b) **Quorum:** Two independent members.

(c) **Secretary to the Committee:** Mr. R.S. Vijayvargiya, President & Secretary, acts as the Secretary of the Committee.

B. REMUNERATION COMMITTEE

The Remuneration Committee was constituted in the meeting of Board of Directors held on 3rd May, 2010 in conformity with the requirements of Clause 49 of the Listing Agreement as well as Schedule XIII of the Companies Act, 1956. The terms of reference of Remuneration Committee include deciding Company's policies on specific remuneration packages for all the directors and designing and implementation of performance appraisal systems and discretionary performance bonus payments for them and such other functions as may be delegated to it by the Board of Directors.

The Remuneration Committee comprises three non-executive directors as members, viz., Shri O.P. Bagla, Shri J.L. Jajoo & Dr. P. Goyal and Shri R.S. Vijayvargiya, President & Secretary of the Company also acts as the Secretary to the Committee. Shri O.P. Bagla is the Chairman of the Committee. One meeting was held on during the financial year 2010-2011.

Shri O.P. Bagla, Shri J.L. Jajoo & Dr. P. Goyal and Shri R.S. Vijayvargiya, President & Secretary were present in the meeting.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Details of remuneration paid to Executive Director for financial year 2010-11 :

(Rs. in lacs)

Name	Designation	Salary	Commission	Perks & allowances	Total	Tenure
Shri Shailesh Khaitan	Chairman & Managing Director	52.80	45.00	21.50	119.30	3 years

The Non-executive Directors are paid remuneration by way of sitting fees Rs. 5000/- for attending each meeting of the Board and committees thereof. The sitting fees w.e.f. October 29, 2010 has been increased from Rs. 5000/- to Rs. 15000/- & Rs. 5000/- to Rs. 7500/- for attending each meeting of the Board and the committees respectively. Details of Sitting Fee paid to Non-executive Directors in the financial years 2010-11 is given below:

S. No.	Name of Directors	Sitting fees (in Rs.)
1	Shri J.L. Jajoo	70,000
2	Shri O.P. Bagla	1,35,000
3	Dr. P. Goyal	1,10,000

C. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

The Board has constituted a Shareholders'/Investors' Grievance Committee consisting of three members, chaired by Shri O.P. Bagla an Independent, Non Executive Director. The Committee meets at frequent intervals to approve inter-alia, transfer/transmission of shares, issue of duplicate share certificate, non receipt of declared dividend and to review the status of investors' grievances and redressal mechanism and recommends measures to improve the level of investor services. Details of share transfer/transmissions approved by the Committee are placed at the Board Meetings from time to time.

COMPOSITION

The constitution of the shareholders'/investors' Grievance committee is as under:

S. No.	Name	Chairman / Member	No. of Meeting Attended
1.	Shri O.P. Bagla	Chairman, Independent, Non-executive	4
2.	Dr. P. Goyal	Member, Independent, Non-executive	3
3.	Shri R.S. Vijayvargiya	Member, Executive	4

During the financial year ended March 31, 2011, four meetings of shareholders'/investors' Grievance Committee were held on May 14, 2010, July 30, 2010, October 29, 2010 and January 31, 2011.

(a) **Quorum:** Two independent Members.

(b) **Secretary to the Committee:** Mr. R.S. Vijayvargiya, President & Secretary, also acts as the Secretary of the Committee.

4. NAME AND DESIGNATION OF COMPLIANCE OFFICER:

Shri R.S. Vijayvargiya

President & Secretary

Khaitan Chemicals & Fertilizers Ltd.

Apollo Arcade, 3rd Floor, 1/2, Old Palasia, Indore-452018.

Tel. No. 0731-2564936-37, Fax No. 0731-2562572

Email- khaitanchemfert@gmail.com

5. DETAILS OF SHAREHOLDERS COMPLAINTS RECEIVED, NOT SOLVED AND PENDING SHARE TRANSFERS:

142 Nos. of complaints received, and replied to the satisfaction of the SEBI and shareholders etc. during the year ended March 31, 2011. Outstanding complaints as on March 31, 2011 were Nil. The number of pending share transfers was Nil and pending requests for dematerialization was for CDSL- 8 & NSDL 60 as on March 31, 2011. These have been since approved/dematerialised.

6. ANNUAL GENERAL MEETINGS:

Location, date and time of the Annual General Meetings of the Company held during preceding 3 years are given below:

AGM No.	Financial Year	Location of the Meeting	Date	Time
26.	2007-2008	Registered office of the Company	July 26, 2008	1.00 P.M.
27.	2008-2009	Registered office of the Company	July 31, 2009	1.00 P.M.
28.	2009-2010	Registered office of the Company	July 30, 2010	1.00 P.M.



KHAITAN CHEMICALS & FERTILIZERS LIMITED

7. DISCLOSURES:

- a. There are no materially significant transactions with its promoters, the directors or the senior management personnel, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company. The disclosure in respect of related party transactions is provided in the notes on accounts. All contracts with the related parties entered into during the year are in normal course of business and have no potential conflict with the interest of the company at large and are carried out on arm's length basis at fair market value.
- b. The Board of Directors has adopted the code of conduct for directors and senior management personnel of the Company and the same has been placed on the Company's website www.khaitanchemfert.com
- c. No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- d. The Company has in place mechanism to inform Board Members about the Risk Management and minimization procedures and periodical reviews to ensure that risk is controlled by the executive management. A detailed note on risk management is given in the financial review section of the management discussion and analysis report elsewhere in this report.

8. MEANS OF COMMUNICATION:

1. The main channel of communication to the shareholders is through Annual Report, which includes inter-alia, the Directors' Report, The Auditors' Report, Report on Corporate Governance, Audited Financial Statements and other important information. The Management Discussion and Analysis Report forms part of the Annual Report.
2. The website of the Company www.khaitanchemfert.com acts as the primary source of information regarding the operations of the Company. Quarterly/yearly financial results and other media releases are being displayed on the Company's website.
3. Quarterly and Half yearly results, approved by the Board of Directors and submitted to the Stock Exchanges in terms of the requirement of Clause 41 of the listing agreement and are published in the following news papers, namely, The Economic Times and Free Press (English) and Chautha Sansar (Hindi).

9. CFO Certification:

The President & Secretary has provided annual certificate on financial reporting and internal controls to the Board pursuant to Clause 49 of the Listing Agreement. He has also provided quarterly certificates on financial results while placing the financial results before the Board pursuant to Clause 41 of Listing Agreement.

10. Compliance

The certificate regarding compliance of conditions of Clause 49 of the Listing Agreement from the Auditors' of the Company is annexed hereto.

SHAREHOLDERS INFORMATION

Annual General Meeting:

Date : 29th Day of July, 2011
Time : 1.00 P.M.
Venue : A.B. Road, Village Nimrani, Tehsil Kasrawad,
Dist. Khargone-452569 (M.P.)

Financial Calendar:

• Financial reporting for the quarter ending June 30, 2011	:	On or before August 15, 2011
• Financial reporting for the half year ending September 30, 2011	:	On or before November 15, 2011
• Financial reporting for the quarter ending December 31, 2011	:	On or before February 15, 2012
• Financial reporting for the year ending March 31, 2011	:	On or before May 31, 2012

Date of Book Closure:

22, July, 2011 to 29, July, 2011 (both days inclusive) for payment of Dividend.

Listing on Stock Exchanges:

The Shares of the Company is listed on the Bombay Stock Exchange Ltd., (BSE).

Stock Code: 507794

Stock Market Data:

The monthly high and low quotations and volume of shares traded on the Bombay Stock Exchange, Mumbai (BSE) is as follows :

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Month	High	Low	Volume of Shares Traded
April, 2010	66.10	48.00	98,213
May, 2010	64.00	52.10	71,071
June, 2010	92.10	58.60	7,17,193
July, 2010	117.40	91.05	7,38,366
August, 2010	160.70	111.10	5,28,838
September, 2010	204.25	140.80	5,34,510
October, 2010	254.75	178.00	4,41,193
November, 2010	243.05	140.20	3,39,367
December, 2010	171.80	131.95	1,95,510
January, 2011	163.40	113.00	93,806
February, 2011	134.75	100.05	1,01,058
March, 2011	135.00	113.75	1,26,711

Shareholder services, enquiries, complaints:

It has been our endeavor to provide prompt, efficient and satisfactory services to our esteemed Shareholders. We have taken special care in answering the queries of shareholders within the shortest possible time frame. We provide shareholder services in the following time frame:

S. No.	Nature of Query	No. of days for Disposal
1.	Share Transfers	15 days
2.	Demat of Shares	7 days
3.	Dividend Revalidation	7 days
4.	Issue of New Shares on surrender of old	2 days
5.	Change of Address / Bank Mandate	2 days
6.	General Queries	2 days

Distribution of shareholding as on March 31, 2011:

No. of Equity Shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
Upto 500	31280	98.76	981462	10.12
501 to 1000	186	0.59	149220	1.54
1001 to 2000	93	0.29	143009	1.47
2001 to 3000	30	0.09	75287	0.78
3001 to 4000	12	0.04	42491	0.44
4001 to 5000	12	0.04	61276	0.63
5001 to 10000	23	0.08	161738	1.67
10001 and above	36	0.11	8084437	83.35
Grand Total	31673	100.00	9698920	100.00

Categories of Shareholders as on March 31, 2011

Category	No. of Shares held	% of shareholding
Promoters	7273617	74.99
Financial Institutions, Mutual Fund and Banks	1154	0.02
Private Corporate Bodies	709012	7.31
Non-residents /OCBs	156025	1.61
Indian Public	1559112	16.07
Total	9698920	100.00



KHAITAN CHEMICALS & FERTILIZERS LIMITED

Dematerialisation of Shares and Liquidity:

Trading in Khaitan Chemicals & Fertilizers Limited shares is permitted only in dematerialised form with effect from 26th March, 2001, as per notification issued by the Securities and Exchange Board of India (SEBI).

At present, the Company's shares are fully available for trading in the depository systems of both NSDL and CDSL. As on 31st March, 2011, 9847101 equity shares of the Company, which amount to 92.25% of the equity capital exist under the electronic form. Those shareholders who have still not got their shares dematerialised, are advised to do so, as soon as possible, in view of many advantages that exist therein.

The equity shares of the Company are actively traded on BSE.

International Security Identification No. (ISIN): NSDL and CDSL: INE745B01010

Plant Locations: The Company has the following manufacturing and operating divisions:

Fertilizer & Chemicals Division:

1. A. B. Road, Village Nimrani, Tehsil Kasrawad,
Dist. Khargone - 451 569 (M.P.)
2. Village Goramachia, Jhansi-Kanpur Road,
Jhansi - 248 001 (U.P.)
3. Village Dhinva, Tehsil Nimbahera,
Dist. Chhittorgarh - 312 601 (Rajasthan)
4. A-1, UPSIDC Industrial Area, Malwan,
Dist. Fatehpur-212 664 (U.P.)
5. Village Farhad (Somni)
Dist. Rajnandgaon - 491443 (Chhattisgarh)
Processing facility at Arhant Phosphate & Fertilizers Ltd.
6. Village Sagwadia, Tehsil Nimbahera,
Dist. Chittorgarh - 312601 (Rajasthan)
Soya Division (Khaitan Agro):
Industrial Area, Dosigaon,
Ratlam - 457 001 (M.P.)

Company Registration number with ROC/Ministry of Corporate Affairs:

CIN- L24219MP1982PLC004937.

Investor Correspondence:

For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non-receipt of dividend or Any query relating to the shares of the Company please write to:

Secretarial Department:

Khaitan Chemicals & Fertilizers Ltd.
Apollo Arcade, 3rd Floor, 1/2, Old Palasia, Indore-452018 (M.P.)
Email- khaitanchemfert@gmail.com

Registrar & Share Transfer Agent:

M/s Ankit Consultancy Pvt. Ltd.
2nd Floor, Alankar Point,
Geeta Bhawan Chouraha, Indore -452018 (M.P.)
Phone-0731-3042298, 3048602
E-mail-ankit_4321@yahoo.com

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

The Members,

Khaitan Chemicals & fertilizers Limited

New Delhi

We have examined the compliance of conditions of corporate governance by Khaitan Chemicals & Fertilizers Limited, for the year ended March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said company with stock Exchange.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to a review of procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the company has complied with conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Place: New Delhi

Date: 18.05.2011

For : **S.S.KOTHARI MEHTA & CO.**

Chartered Accountants
Firm Regn.No. 000756N

NAVEEN AGGARWAL

Partner

Membership No. 94380



AUDITORS' REPORT

To,
The Members,
Khaitan Chemicals & Fertilizers Limited,
New Delhi

1. We have audited the attached balance sheet of Khaitan Chemicals & Fertilizers Limited as at 31st March, 2011, the profit and loss account and also the cash flow statement for the year ended as on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 {as amended by the Companies (Auditor's Report) (Amendment) Order, 2004} issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we consider appropriate and according to the information and explanation given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit & loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit & loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956,;
 - v. On the basis of written representations received from the directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of balance sheet, of the state of affairs of the Company as at 31st March, 2011;
 - b) in the case of profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For : **S.S.KOTHARI MEHTA & CO.**
Chartered Accountants
Firm Regn.No. 000756N

NAVEEN AGGARWAL
Partner
Membership No. 94380

Place : New Delhi
Date : 18th May 2011



ANNEXURE TO THE AUDITORS' REPORT

(As referred to in paragraph '3' of our report to the members of Khaitan Chemicals & Fertilizers Limited on the accounts as at & for the year ended 31st March 2011)

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets..
- (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- (ii) (a) The inventory of the Company has been physically verified by the management during the year (*except for stock of Rock Phosphate, Sulphur and Single Super phosphate for which stock is taken on estimation basis and for the stock in transit and stock lying with outside parties*). In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, in our opinion, the Company has maintained proper records of inventory and as explained to us, discrepancies noticed on physical verification of inventory as compared to the books records were not material and have been properly dealt with in the books of accounts.
- (iii) (a) According to the information and explanations given to us, the Company has granted inter-corporate loans/advances to one company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year-end balance of such loans was Rs. 2286.09 lacs and Rs. 621.82 lacs respectively.
- (b) In our opinion and according to information and explanations given to us, the rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.
- (c) The Companies to whom loans have been granted have been regular in the payment of principal and interest wherever stipulated.
- (d) There is no overdue amount outstanding at the end of the year in respect of above loans/advances.
- (e) The Company has taken loan from two Companies during the year covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year-end balance of such loans was Rs. 500 lacs and Rs.500 lacs respectively.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- (v) (a) Based on audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that all the particulars of contracts or arrangements that need to be entered in to the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public within the meaning of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- (vii) In our opinion, the company has an adequate internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained in pursuance to section 209 (1) (d) of Companies Act, 1956 in respect of single super phosphate, Sulphuric acid and refined vegetable oil manufactured by the Company and are of the opinion that, prima facie, the prescribed records and accounts have been made and maintained. However, we have not carried out a detailed examination of such records to verify its authenticity and accuracy.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities *though there has been slight delay in few cases*.
- (b) *Further, According to information & explanations given to us, undisputed amount of Sales Tax and Advance Income Tax of Rs.1.55 lacs and Rs 181.90 lacs respectively were outstanding as at the Balance Sheet Date for more than six months from the date they become payable.*
- (c) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, custom duty, wealth tax, excise duty, service tax and cess, which have not been deposited on account of any dispute, are as follows: -

KHAITAN CHEMICALS & FERTILIZERS LIMITED



S. No.	Name of the Statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
1.	M.P. Commercial Tax Act, 1974	Sales Tax/ Trade Tax	0.48 Lacs	2001-02	Tribunal Commercial Tax, Bhopal
2.	UP Trade Tax 1948	Sales Tax/ Trade Tax	3.28 Lacs (Principal) 15.94 Lacs (Interest)	Before 1996	Joint Commissioner of Trade Tax, Lucknow
3.	M.P. Commercial Tax 1974	Entry tax	0.11 Lacs	1991-92	Tribunal Commercial Tax, Bhopal
4.	Mines and Minerals (Development and Regulation) Act, 1957	Royalty on rock phosphate	118.77 Lacs	2004-05	High Court, Rajasthan
5.	Purchase Tax Act	Purchase Tax	63.38 Lacs	2004-05	High Court of Madhya Pradesh, Jabalpur
6.	Income Tax Act 1961	Income Tax	36.87 Lacs	2007-08	CIT (Appeal), New Delhi
7.	Central Excise Act	Penalty	17.78 Lacs	2007-08	Custom Excise and Service Tax Appellate Tribunal
8.	UP Trade Tax 1948	Sales Tax	0.49 Lacs	2007-08	The Deputy Commission Commercial Tax-Jhansi
9.	UP Trade Tax 1948	Sales Tax	0.93 Lacs	2005-06	The Deputy Commission Commercial Tax-Jhansi
10.	UP Trade Tax 1948	Sales Tax	1.00 Lacs.	2006-07	The Deputy Commission Commercial Tax-Jhansi
11.	M.P. Entry Tax Act 1976	Entry Tax	35.37 lacs	2007-08	MP Commercial Tax Appellate Board, Bhopal

- x) The company does not have any accumulated losses as at 31st March 2011 and it has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- (xi) Based on our audit procedure and on the basis of information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution or bank during the year.
- (xii) Based on our examination of documents and records, we are of the opinion that the company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund, nidhi, mutual benefit fund or a society.
- (xiv) The company has maintained proper records of transactions & contracts for purchase & sale of securities during the year under review & timely entries were made therein. All the shares, securities and other investments have been held by the Company in its own name.
- (xv) As per the information and explanations given to us and on our examination of records, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) According to the records of the Company examined by us and the information and explanations given to us, in our opinion, the term loans taken by the Company have been applied for the purpose for which they were obtained.
- (xvii) According to information and explanations given to us and on an overall examination of balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year.
- (xix) The Company has not issued any debenture during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based upon the audit procedures performed and information and explanation given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended March 31, 2011.

For : **S.S.KOTHARI MEHTA & CO.**
Chartered Accountants
Firm Regn.No. 000756N

NAVEEN AGGARWAL
Partner
Membership No. 94380

Place : New Delhi
Date : 18th May 2011



KHAITAN CHEMICALS & FERTILIZERS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2011

(Rs. in lacs)

	Schedule No.	As at 31.03.2011	As at 31.03.0010
1. SOURCES OF FUNDS			
Shareholders' Funds:			
Share Capital	1	969.89	969.89
Reserves and Surplus	2	9,683.07	6,847.59
Loan Funds:			
Secured Loans	3	14,617.27	10,737.90
Unsecured Loans	4	500.00	-
Deferred Tax Liability - Net		1,438.58	1,516.99
Total		<u>27,208.81</u>	<u>20,072.37</u>
2. APPLICATION OF FUNDS			
Fixed Assets:	5		
Gross Block		18,054.99	16,469.73
Less: Accumulated Depreciation		8,868.27	8,279.69
Net Block		9,186.72	8,190.04
Capital Work in Progress		156.93	87.32
		<u>9,343.65</u>	<u>8,277.36</u>
Investments	6	9.49	244.00
Current Assets, Loans and Advances			
Inventories	7	15,258.58	12,368.05
Sundry Debtors	8	1,091.28	268.48
Cash and Bank Balances	9	1,569.66	1,617.56
Other Current Assets	10	4,047.93	1,108.81
Loans and Advances	11	1,691.52	1,396.47
		<u>23,658.97</u>	<u>16,759.37</u>
Less: Current Liabilities and Provisions			
Liabilities	12	4,479.48	5,064.39
Provisions	13	1,323.82	143.97
Net Current Assets		<u>17,855.67</u>	<u>11,551.01</u>
Total		<u>27,208.81</u>	<u>20,072.37</u>
Significant Accounting Policies and Notes on Accounts	20		

Per our report of even date attached
for **S.S. Kothari Mehta & Co.**
Chartered Accountants
Firm Regn. No 00756N

For and on behalf of Board

SHAILESH KHAITAN
(Chairman & Managing Director)

NAVEEN AGGARWAL
Partner
Membership No 94380

R.S. VIJAYVARGIYA
(President & Secretary)

J.L. JAJOO
O.P. BAGLA
DR. P. GOYAL
VIJAY GUPTA
(Directors)

PLACE: NEW DELHI
DATED : 18.05.2011

KHAITAN CHEMICALS & FERTILIZERS LIMITED



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs. in lacs)

	Schedule No.	Year Ending 31.03.2011	Year Ending 31.03.2010
INCOME			
Sales - Gross		45,970.41	20,333.57
Less: Excise duty		236.88	116.20
Sales - Net		<u>45,733.53</u>	<u>20,217.37</u>
Other income	14	26.58	68.61
Increase/(Decrease) in stock	15	<u>1,815.92</u>	<u>5,124.14</u>
		<u>47,576.03</u>	<u>25,410.12</u>
EXPENDITURE			
Raw material consumed	16	31,639.83	19,377.79
Purchase of traded goods		855.98	246.46
Personnel costs	17	853.41	570.53
Manufacturing and other expenses	18	7,085.40	4,338.46
Financial expenses - Net	19	1,635.00	101.63
Miscellaneous expenditure written off		-	0.56
		<u>42,069.62</u>	<u>24,635.43</u>
PROFIT BEFORE DEPRECIATION AND TAX			
		5,506.41	774.69
Depreciation / Amortisation	5	666.16	702.86
Adjustment relating to previous years (Note 18-Schedule 20B)		190.57	35.02
PROFIT BEFORE TAX			
		4,649.68	36.81
Provision for Tax			
Current tax		1,570.40	41.04
Deferred tax		(70.54)	(102.23)
Taxation relating to earlier years		7.00	17.32
PROFIT AFTER TAX			
		<u>3,142.82</u>	<u>80.68</u>
Add : transferred from Capital Subsidy		2.83	2.83
NET PROFIT			
		3,145.65	83.51
Balance brought forward from previous year		<u>2,156.61</u>	<u>2,309.27</u>
AMOUNT AVAILABLE FOR APPROPRIATION			
		<u>5,302.26</u>	<u>2,392.78</u>
APPROPRIATED AS FOLLOWS			
Transfer to General Reserve		1,000.00	100.00
Proposed Dividend		232.77	116.39
Corporate tax on dividend		37.76	19.78
Balance carried to the Balance Sheet		<u>4,031.73</u>	<u>2,156.61</u>
		<u>5,302.26</u>	<u>2,392.78</u>
Earnings per share (Basic & Diluted)(in Rs.) (Note 19-Schedule 20B)		32.43	0.86
Significant Accounting Policies and Notes on Accounts	20		

Per our report of even date attached
for **S.S. Kothari Mehta & Co.**
Chartered Accountants
Firm Regn. No 00756N

For and on behalf of Board

NAVEEN AGGARWAL
Partner
Membership No 94380

SHAILESH KHAITAN
(Chairman & Managing Director)

R.S. VIJAYVARGIYA
(President & Secretary)

J.L. JAJOO
O.P. BAGLA
DR. P. GOYAL
VIJAY GUPTA
(Directors)

PLACE: NEW DELHI
DATED : 18.05.2011



KHAITAN CHEMICALS & FERTILIZERS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

(Rs. in lacs)

	Year Ending 31.03.2011	Year Ending 31.03.2010
A. Cash Flow from Operating Activities :		
Profit Before Tax	4,649.68	36.81
Add: Interest & Financial Exp.	1,778.61	1,203.63
Add: Foreign Exchange Fluctuations	64.99	(774.21)
Add: Depreciation / Amortisation	666.16	702.86
Add: Bad Debts w/off	2.42	0.93
Add: Provision for doubt debts	15.00	5.15
Add: (Profit)\ Loss on sale of Fixed Assets	18.24	5.90
Add: Loss on sale of Investments	1.60	(8.75)
Add: Extra ordinary items	190.57	35.02
Add: Miscellaneous Expenses w/off	-	0.56
Less: Interest Received	208.59	327.79
Operating Profit before Working Capital Changes	7,178.68	880.11
Adjustment for:		
(Increase)/Decrease in Inventories	(2,890.53)	(7,043.44)
Sundry Debtors	(840.23)	338.02
Other Current Assets	(2,939.12)	4,013.10
Loans & Advances	(295.05)	856.78
Current Liabilities & Provisions	(578.88)	422.12
Cash Generation from Operations	(365.13)	(533.31)
Income Tax Paid	(537.39)	(539.71)
Transfer from Gen.Res. (Due to transitional prov. of AS-15)	(44.67)	
Extra-ordinary and prior period items	(190.57)	(27.94)
Net Cash from Operating Activities (A)	(1137.76)	(1,100.96)
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(1,702.53)	(175.87)
Capital Work in Progress	(65.79)	(82.14)
Sale of Fixed Assets & Adjustments	17.63	7.16
Interest	208.59	327.79
Investment	232.91	26.25
Net Cash from Investing Activities (B)	(1,309.19)	103.19
C. Cash Flow from Financing Activities :		
Receipt of capital subsidy	-	14.00
Proceeds from Long Term Borrowings	900.00	115.60
Repayments of Long Term Borrowings	(1,176.69)	(1,395.21)
Receipt from Unsecured Loan	500.00	-
Bank Borrowings	4,156.05	3,832.07
Effect of Foreign Exchange gain\loss	(64.99)	774.21
Interest & Finance Exp.	(1783.78)	(1193.57)
Dividend including Dividend Distribution Tax	(131.54)	(197.31)
Net Cash from Financing Activities (C)	2399.05	(1949.79)
NET CASH GENERATION (A+B+C)	(47.90)	952.02
Cash and Cash Equivalents as at the beginning of the year	1,617.56	665.54
Cash and Cash Equivalents as at the end of the year	1,569.66	1,617.56
Net Increase (Decrease) in Cash and Cash Equivalents	(47.90)	952.02

Per our report of even date attached
for **S.S. Kothari Mehta & Co.**
Chartered Accountants
Firm Regn. No 00756N

For and on behalf of Board

NAVEEN AGGARWAL
Partner
Membership No 94380
PLACE: NEW DELHI
DATED : 18.05.2011

SHAILESH KHAITAN
(Chairman & Managing Director)

R.S. VIJAYVARGIYA
(President & Secretary)

J.L. JAJOO
O.P. BAGLA
DR. P. GOYAL
VIJAY GUPTA
(Directors)

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Schedule No.1 to 20 annexed to and forming part of the Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended 31st March, 2011

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 1 :		
SHARE CAPITAL		
Authorised : 22000000 (Previous year 22000000) Equity Shares of Rs. 10/- each	2,200.00	2,200.00
Issued : 9712442 (Previous year 9712442) Equity Shares of Rs. 10/- each	971.24	971.24
Subscribed & Paid up : 9698920 (Previous year 9698920) Equity Shares of Rs. 10/- each fully paid up	969.89	969.89
	<u>969.89</u>	<u>969.89</u>
SCHEDULE 2 :		
RESERVES & SURPLUS :		
Capital Reserve :		
As per last Balance Sheet	1563.05	1551.88
Add: Capital subsidy received on account of Gassifire	-	14.00
	<u>1563.05</u>	<u>1565.88</u>
Less: Transferred to Profit and Loss account	2.83	2.83
	1560.22	1,563.05
Share Premium Account	2,152.58	2,152.58
As per last Balance Sheet		
General Reserve:		
As per last Balance Sheet	975.35	875.35
Less : Adjustment as per AS-15 Revised (Net of Deferred tax asset of Rs 7.86 Lacs)	36.81	-
Add: Transfer from Profit and Loss account	1,000.00	100.00
	<u>1,938.54</u>	<u>975.35</u>
Surplus in Profit and Loss account	4,031.73	2,156.61
	<u>9,683.07</u>	<u>6,847.59</u>
SCHEDULE - 3		
SECURED LOANS		
TERM LOANS		
From Banks		
Rupee Loan	1,743.41	2,152.19
Foreign Currency Loan	466.22	334.75
Interest Accrued & due thereon	21.14	20.51
	<u>2,230.77</u>	<u>2,507.45</u>
1)Term Loan from Banks are secured by equitable mortgage of Company's immovable properties and also hypothecation by way of first charge of movable as well as immovable assets both present and future ranking pari-passu subject to prior charge, in favour of the Company's bankers, on Stock of Raw Materials, Finished Goods, Stores and Spares and Book debts for working capital borrowings and second charge on the entire current assets of the Company and guaranteed by Shri Shailesh Khaitan in his personal capacity, except for vehicle loans which are secured by hypothecation thereof		
2) Term Loan from State Bank of India amounting to Rs 444.94 Lacs (sanctioned amount Rs 525 Lacs) is further collateral secured by first exclusive charged over the entire fixed assets and corporate guarantee of Shobhan Enterprises Pvt Ltd.		
CASH CREDIT & WORKING CAPITAL DEMAND LOAN*	12,234.09	6,128.40
BUYER'S CREDIT (net of margin money as FDRs of Rs 2025.00 lacs * Previous year 2632.14 lacs)	152.41	2,102.05
*(Secured by hypothecation of Company's stock of Raw Materials, Finished Goods, Stock in Process, Stores and Spares, Packing Materials etc. including Goods in Transit, Outstanding monies, Book-debts, Receivables etc. and secured by way of second charge over the Company's entire fixed assets and guaranteed by Shri Shailesh Khaitan in his personal capacity)		
	<u>14,617.27</u>	<u>10,737.90</u>
NOTE : Term Loans repayable within one year	1,104.00	1,071.92
SCHEDULE 4 :		
UNSECURED LOANS		
Term Loan from Body Corporates	500.00	-
	<u>500.00</u>	<u>-</u>



KHAITAN CHEMICALS & FERTILIZERS LIMITED

(Rs. in lacs)

As at
31.03.2011

As at
31.03.2010

SCHEDULE 5 : FIXED ASSETS :

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 31.03.2010	Addi- tions	Adjustments/ deduction	As at 31.03.2011	Up to 31.03.2010	Sale/ Adjustments	During the year	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
Freehold Land & Site Development	252.17	112.04	0.07	364.14	-	-	-	-	364.14	252.17
Leasehold Land	412.58	4.54	-	417.12	11.60	-	4.19	15.79**	401.33	400.98
Building	2,836.54	271.36	0.74	3,107.16	811.52	0.55	76.66	887.63	2,219.53	2,025.02
Plant & Machinery	11,966.04	1,240.35	37.76	13,168.63	6,995.43	37.03	530.87	7,489.27	5,679.36	4,970.61
Electric Installation	306.56	9.47	-	316.03	171.25	-	9.80	181.05	134.98	135.31
Furniture & Fixtures	110.58	34.91	7.82	137.67	79.89	6.99	5.11	78.01	59.66	30.69
Office Equipments	93.94	3.39	-	97.33	45.10	-	4.27	49.37	47.96	48.84
Lab & Other Equipments	17.03	1.03	-	18.06	8.50	-	0.68	9.18	8.88	8.53
Vehicles	397.60	16.16	67.32	346.44	102.48	33.37	31.24	100.35	246.09	295.12
Electrical Appliances	10.52	-	-	10.52	7.77	-	0.36	8.13	2.39	2.75
Fire Fighting Equipments	2.84	0.18	-	3.02	1.67	-	0.11	1.78	1.24	1.17
Computers	63.33	9.10	3.56	68.87	44.48	3.46	6.69	47.71	21.16	18.85
Total (A)	16,469.73	1,702.53	117.27	18,054.99	8,279.69	81.40	669.98	8,868.27	9,186.72	8,190.04
Capital Work in Progress	87.32	74.80	5.19	156.93	-	-	-	-	156.93	87.32
Total (B)	16,557.05	1,777.33	122.46	18,211.91	8,279.69	81.40	669.98	8,868.27	9,343.65	8,277.36
Previous year	16,317.82	262.14	22.91	16,557.05	7,575.46	9.85	714.08	8,279.89	8,277.36	8,742.36

NOTES :

- Depreciation has been provided on SLM rates after taking into consideration the revised rates of depreciation vide Circular No. 14/93-1/12/92 - CL-V dated 20.12.93 issued by Ministry of Law, Justice and Company Affairs, Department of Company Affairs. Further, while applying the new rates of depreciation, the Company has adopted the option of applying the new rates on the original cost of the assets in accordance with the above Circular.
- The Company has treated its Sulphuric Acid Plant, Soya Oil Plant and Turbo Generator as continuous process plant and depreciation charged accordingly.
- Vehicles includes one car purchased for Rs.100.65 lacs for which registration in the name of the Company is still pending.
- Vehicles includes motor cars taken on hire purchase of Rs Nil (Previous year Rs.133.40).
- Amortisation of Leasehold Land includes Rs 3.82 Lacs (Previous year: 4.13), included in capital work in progress as pre-operative expenses in respect of Dahej Project.
- Lease hold Land includes Rs 377.50 Lacs (Previous year Rs 377.50 Lacs) in respect of which lease deeds are pending execution.
- Capital Work in Progress includes capital advances of Rs 32.67 Lacs (Previous year Rs.Nil) in respect of Dahej Unit.

SCHEDULE 6 :

INVESTMENTS (AT COST)

NON TRADE- UNQUOTED

Long Term

National Board of Trade Limited

[16100 shares (Previous year: Nil) fully paid equity shares of Rs 10/- each] including 16000 bonus shares

Shobhan Enterprises Private Limited

[Nil shares (Previous year : 404000) fully paid equity shares of Rs 10/- each]

Captain Vinimay Private Limited

[94800 shares (Previous year : Nil) fully paid equity shares of Rs 10/- each]

Aggregate Book Value of Un-Quoted Investment

0.01

244.00

9.48

9.49

244.00

9.49

244.00

SCHEDULE 7 :

INVENTORIES (As certified by the Management)

Finished Goods/Traded Goods

Stock in Process

Raw Materials

Raw Materials in Transit

Stores & Spares

8,774.36

21.26

3,246.86

2,090.90

1,125.20

15,258.58

6,975.90

3.80

1,902.48

2,368.62

1,117.25

12,368.05

KHAITAN CHEMICALS & FERTILIZERS LIMITED



(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 8 :		
SUNDRY DEBTORS		
Unsecured (Considered good, unless otherwise stated)		
Debts outstanding for a period of exceeding six month		
Considered Good	26.67	28.54
Considered Doubtful	<u>17.94</u>	<u>6.79</u>
	44.61	35.33
Others Debts		
Considered Good	1064.61	239.94
Considered Doubtful	-	-
Less : Provision for doubtful debts	17.94	6.79
	<u>1,091.28</u>	<u>268.48</u>
SCHEDULE 9 :		
CASH AND BANK BALANCES		
Cash on hand	17.45	13.41
Cheques in hand	25.53	-
Balance with Scheduled Bank		
in Current account	217.00	980.15
in Deposit account	1,309.68	623.54
(kept as Margin Money with Bank Rs. 1309.19 Lacs, (Previous year: Rs 623.05 Lacs) and deposited with Govt Authorities as security Rs 0.49 Lacs (Previous year Rs 0.49 Lacs)		
Balance with Other Bank		
in Current account	-	0.46
Maximum balance at any time during the year Rs.0.46 Lacs (Previous year: Rs.0.46 Lacs)		
	<u>1,569.66</u>	<u>1,617.56</u>
SCHEDULE 10 :		
OTHER CURRENT ASSETS		
Fertilizer Subsidy receivable	4,090.46	1,113.77
Less: Subsidy payable to Bank of India on realisation	<u>(142.87)</u>	<u>(142.87)</u>
	3,947.59	970.90
Other receivables	<u>100.34</u>	<u>137.91</u>
	<u>4,047.93</u>	<u>1,108.81</u>
SCHEDULE 11 : LOANS AND ADVANCES		
(Unsecured - considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	637.47	439.15
Loan to Body Corporates	618.69	553.00
Security Deposits (including with Govt. Dept. Rs. 93.96 Lacs : Previous year Rs.95.74 Lacs)	191.30	190.26
Tax/Duty deposited under protest	8.78	21.05
Sales Tax / VAT Refundable	196.13	117.09
Cenvat Credit Receivable	38.30	75.05
Balance with Central Excise Department	0.85	0.87
	<u>1,691.52</u>	<u>1,396.47</u>
SCHEDULE 12 : CURRENT LIABILITIES		
Current Liabilities:		
Acceptance	1836.85	1687.06
(Net of FDR of Rs.725 Lacs(Previous year Rs. Nil) being 100% margin money)		
Sundry Creditors		
Due to Micro and Small Enterprises	-	-
Due to others *	1,925.28	1,027.04
Advances from Customers	337.92	2,240.11
Security Deposits	29.40	24.87
Due to Directors	54.80	2.89
Other Liabilities	257.24	49.06
Investor Education and Protection Fund - Unpaid Dividend	37.99	33.36
	<u>4,479.48</u>	<u>5,064.39</u>

*Includes Deferred Payment Liability of Rs 65.53 Lacs (Previous year Rs 152.91 Lacs) with respect to Lease Hold Land of Dahej Unit



KHAITAN CHEMICALS & FERTILIZERS LIMITED

(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 13 : PROVISIONS		
Provision for Leave Encashment	5.47	-
Proposed Dividend (including Corporate Tax on Dividend thereon Rs 37.76 Lacs (Previous year of Rs 19.78 Lacs))	270.54	136.17
Provision for Tax (Net of advance tax of Rs 22.58 Lacs ; Previous year of Rs 33.24 Lacs)	1,047.81	7.80
	<u>1,323.82</u>	<u>143.97</u>
SCHEDULE 14 : OTHER INCOME		
Miscellaneous Receipts	10.71	35.30
Balances written back (Net)	15.87	23.87
Profit on Sale of Investments (Net)	-	8.75
Profit on Sale of Fixed Assets (Net)	-	0.69
	<u>26.58</u>	<u>68.61</u>
SCHEDULE 15: INCREASE /(DECREASE) IN STOCKS		
Closing Stock		
Finished Goods / Traded Goods	8,774.36	6,975.90
Stock in Process	21.26	3.80
	<u>8,795.62</u>	<u>6,979.70</u>
Less : Opening Stock		
Finished Goods / Traded Goods	6,975.90	1,852.74
Stock in Process	3.80	2.82
	<u>6,979.70</u>	<u>1,855.56</u>
	<u>1,815.92</u>	<u>5,124.14</u>
SCHEDULE 16 :		
RAW MATERIALS CONSUMED		
Opening Stock	1,902.48	2,470.27
Add : Purchases including related expenses upto the factory site (net of claims)	32,984.21	18,810.00
	<u>34,886.69</u>	<u>21,280.27</u>
Less : Closing Stock	3,246.86	1,902.48
	<u>31,639.83</u>	<u>19,377.79</u>
SCHEDULE 17 :		
PERSONNEL COSTS		
Salaries, wages, bonus and other benefits	760.73	472.09
Contribution towards Employees' Provident Fund and Other Funds	64.93	77.08
Employees Welfare	27.75	21.36
	<u>853.41</u>	<u>570.53</u>
SCHEDULE 18 :		
MANUFACTURING AND OTHER EXPENSES		
Stores & Spares consumed	1,989.18	1,193.43
Power & Fuel	687.43	546.59
Communication Expenses	29.94	32.23
Rent	40.58	40.15
Insurance	33.73	25.69
Legal & Professional	29.54	23.98
Rates & Taxes	32.12	10.65
Repairs & Maintenance :		
Plant & Machinery	595.37	337.35
Building	29.80	49.37
Others	44.56	49.09
Less: Scrap Sales	(56.93)	(17.92)
Travelling & Conveyance :	114.12	92.74
Charity & Donation	1.31	1.26
Payment to Auditors	11.53	9.15
Excise Duty On Variation of Finished Goods	32.82	0.58
Other Manufacturing Expenses	653.74	248.71
Miscellaneous Expenses	253.96	131.06
Bad Debts Written Off	2.42	0.93
Provision for Doubtful Debts	15.00	5.15
Loss on Sale of Fixed Assets / Assets written off (Net)	18.24	6.59
Loss on Sale of Investments (Net)	1.60	-
Freight Outward	2,403.13	1,482.56
Loading & Unloading	13.04	3.38
Other selling expenses	109.17	65.74
	<u>7,085.40</u>	<u>4,338.46</u>



(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 19 :		
FINANCIAL EXPENSES		
Interest on :		
Term Loan	219.60	300.73
Cash Credit	985.46	542.00
Buyers Credit	33.93	135.82
Unsecured Loan & Others	242.48	100.17
	1,481.47	1,078.72
Less : Interest Received	(208.59)	(327.79)
(TDS Rs 22.57 lacs; Previous year Rs 33.24 lacs)	1272.88	750.93
Foreign Exchange Fluctuation (Net)	64.99	(774.21)
Bank Charges & Guarantee Commission	297.13	124.91
	1,635.00	101.63

SCHEDULE 20:

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH, 2011.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The financial statements have been prepared to comply in all material respects with the notified accounting standards by the Companies (Accounting Standard) Rules, 2006 and relevant provisions of the Companies Act, 1956. The financial statements are prepared on historical cost convention on an accrual basis. The Accounting Policies have been consistently applied by the Company.

2. Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles ('GAAP') requires estimates and assumptions to be made that affect the reportable amount of assets and liabilities on the date of financial statements and the reportable amount of revenue and expenses during the reporting period. Difference between the actual results and estimates are recognized in the year in which the results are known/materialised.

3. Revenue Recognition

(a) **Sale** - The Company recognises sale of goods on transfer of significant risks and reward of ownership to the customers. Sales (Gross) are inclusive of excise duty, fertilizer subsidy, and net off trade discounts and sales return, wherever applicable.

(b) **Interest** - Interest income is recognized on a time proportion basis taking into account the amount outstanding and rate applicable.

(c) **Subsidy** - Fertilizer Subsidy, wherever applicable, is accounted for an actual sales and is net off of any subsequent non receipt reversal.

(d) **Dividend** - Dividends are accounted for when the right to receive the dividend payment is established.

4. Excise Duty

Excise duty payable on products is accounted for at the time of despatch of goods from the factories but is accrued for stocks held at the year end.

5. Employee Benefits

(a) Short term employee benefits obligations are estimated and provided for.

(b) Post employment benefits and other long term benefits:

i. **Defined contribution plans:**

Company's contribution to provident fund, superannuation fund, employee state insurance and other funds are determined under the relevant schemes and/or statute and charged to revenue.

ii. **Defined benefits plans:**

Company's Liability towards gratuity and leave encashment is actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in revenue. Gratuity and Leave encashment liabilities are funded and administered through Group Gratuity Scheme with Life Insurance Corporation of India.

6. Capital Subsidy

Capital subsidy for fixed assets is recognised on receipt basis and is disclosed under Capital Reserve. Further, in accordance with the guidelines issued by ICAI, proportionate amount to the extent of depreciation charged, is being transferred to the Profit and Loss Account.

7. Borrowing Cost

Borrowing costs that are attributable to the acquisition or constructions of qualifying assets are capitalised as part of the cost of assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

8. Fixed Assets and Depreciation/Amortisation.

a. All Fixed Assets are stated at cost less depreciation and impairment loss, wherever applicable. Cost comprises acquisition costs and any other attributing cost of bringing the assets to its working condition for its intended use but excluding taxes and duties there on, wherever applicable.

b. The leasehold land is amortised over the primary lease period excluding on perpetual lease.

c. Machinery Spares/ Standby equipments which are used only in connection with the fixed assets and whose use is expected to be irregular are capitalized.

d. Capital works-in-progress including capital advances is carried at cost.

e. Depreciation has been calculated on straight line method at the rates and manner specified under the Schedule XIV of the Companies Act, 1956.

f. The Company has treated its Sulphuric Acid Plant, Oil Plant and Turbo Generator as a continuous process plant and the depreciation is charged accordingly.

g. Assets individually costing Rs.5000 or less are depreciated fully in the year of purchase.

9. Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. In case of impairment, assets are written down to their recoverable amount

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses, recognized for the assets, no longer exists or have decreased.

10. Inventories

Inventories are valued at the lower of cost and estimated realisable value. The cost of inventories is generally arrived at on the following basis



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Raw Material	Quarterly weighted average method for Fertilizer Division and FIFO method for Agro Division.
Packing material and Stores & Spares	Monthly weighted average method.
Finished goods and Work – in-progress	Raw material cost and proportion of manufacturing overheads. Excise duty, if any, is included in the value of Finished goods Inventory.

11. Investments

Long term investments are stated at cost less provision for diminution in value, other than temporary. Current investments are stated at the lower of cost and fair value on individual investment basis.

12. Foreign Currency Translations

- Foreign Currency Transactions are recorded at the exchange rate prevailing on the date of transaction.
- Monetary items denominated in foreign currency are translated at the exchange rate prevailing on the last day of the accounting year. In respect of items covered by forward contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as an expense or income over the life of contract. Any profit or loss arising on settlement / cancellation of such a forward exchange contract is recognized as an income or expense for the period.
- Non-Monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using exchange rate at the date of transaction.
- Gain or loss arising out of translation/conversion and on settlement is taken credit for or charged to the Profit and Loss Account.

13. Taxation

Income Tax

The current tax is determined as the amount of tax payable in respect of the estimated taxable income for the year in accordance with the provisions of Income Tax Act, 1961.

Deferred Tax

Deferred tax charge or credit is recognized using prevailing enacted or substantially enacted tax rates. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets/liabilities are reviewed at each Balance Sheet date based on developments during the year and available case laws, to reassess realisation/liabilities

14. Pre Project Expenditure

The expenses on pre feasibility study reports, market survey reports, techno- economic feasibility reports etc. on new projects are allocated to the Fixed Assets on completion of the projects. Where the projects are proved in fructuous, they are charged to the revenue in the year in which the decision is taken to scrap the same.

15. Earning per share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard 20 – "Earning per share". Basic earning per equity share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. The Company does not have any diluted equity share, hence Basic and Dilutive earning per share is same.

16. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past results and it is probable that there will be an outflow of resources.

Contingent liabilities are disclosed, unless the possibility of an outflow of resource embodying the economic benefit is remote. Contingent assets are neither recognized nor disclosed in the financial statements.

(Rs. in lacs)

B. NOTES ON ACCOUNTS :

1. Contingent Liabilities not provided for:

	31.03.2011	31.03.2010
a. Outstanding Bank Guarantee	4267.71	949.41
b. Sales Tax Demand (under appeal)	0.48	0.48
c. Purchase Tax (under appeal)	63.38	192.84
d. Royalty on Rock Phosphate claimed by RSMM	158.36	158.36
e. Entry Tax	40.03	0.11
f. Sales Trade Tax	1.49	2.96
g. Central sales tax	-	1.87
h. Excise Duty	17.79	17.79
i. Income – Tax	43.49	74.52
j. Madhya Pradesh Industrial Relation Act	61.74	63.27
k. Custom duty under protest	-	38.89

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(Rs. in lacs)

	31.03.2011	31.03.2010
2. Estimated amount of Capital Commitments (net of advances) not provided for	1022.36	-
3. Sales include/(reduced):		
Subsidy (net)	19785.17	5391.71
Sale of power	59.17	72.81
Revenue from NCDEX (net)	246.93	22.06
Rebate and Discount	(490.52)	(129.19)
4. Deferred Taxes		
The major components of deferred tax liabilities and deferred tax assets:		
Deferred tax liabilities:		
(a) Depreciation/Amortisation	1439.59	1523.22
(b) Others	13.43	-
	<u>1453.02</u>	<u>1523.22</u>
Deferred tax assets		
(a) Provision for doubtful debts/non-moving Items	6.29	2.09
(b) Expenses allowed on payment basis	8.15	4.14
	<u>14.44</u>	<u>6.23</u>
Deferred Tax Liabilities/(Assets) – Net	<u>1438.58</u>	<u>1516.99</u>

5. Disclosures required under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act):

Under the Micro, Small and Medium Enterprise Development Act, 2006, the Company is in the process of identifying such parties. In case of the parties already identified, there are no Micro and Small Enterprises, to whom the Company owes, which are outstanding for more than 45 days as at 31st March, 2011.

Further, during the period, no interest has been paid or payable under the terms of the said Act.

- The Company is in the process of obtaining confirmations and reconciliation with its debtors, creditors and other dues receivables. The confirmations to the extent received have been reconciled and adjustments, if any, have been made. The others are pending for confirmations, reconciliations and adjustments, if any. However, the management does not expect any significant variations in the existing status.
- In opinion of the Board and to the best of their knowledge and belief, value on realisation of loans, advances and current assets in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet.
- Repairs and maintenance includes consumption of stores and spares of Rs.516.13 lacs (previous year: Rs.305.19 lacs) and provision for non-moving items of Rs. Nil lacs (previous year: Rs.1.00 lacs)
- Other Current Assets include claims filed under Rajasthan Investment Promotion Scheme (RIPS), 2003 of Rs. 21.82 Lacs (Previous year: Rs.21.82 Lacs) pertaining to 2006-07 and 2007-08, which were refused by the appropriate authorities in view of introduction of Rajasthan Value Added Tax w.e.f. 1st April, 2006. But the Company has considered the amount as recoverable and filed an appeal with the Tax Board, Ajmer (Rajasthan).
- During the year, the Company has purchased a manufacturing facility from M/s Jairam Phosphates Limited as a strategic acquisition. Based on valuation report by professional valuer, the cost has been allocated amongst land building, plant and machinery etc.

11. Disclosures in respect of Derivative Instruments :

The Company uses Forward Exchange Contracts to hedge its exposure in foreign currency.

The information on derivative instrument is as follows:

	31.03.2011		31.03.2010	
	Amount in Foreign currency	Amount in Rs. Lacs	Amount in Foreign currency	Amount in Rs. Lacs
1. Forward Exchange Contracts outstanding				
USD/INR (Purchase)	USD 1100000	491.15	USD 1482000	668.97
2. Foreign currency exposures not covered by a derivative instrument or otherwise				
(a) Amount payable on account of Import of goods and services				
(i) USD/INR	USD 7468475	3334.67	USD 12993209	5865.13
(ii) AED/ INR	AED 1495736	182.18	-	-
(b) Amount payable on account of term loan.	USD 1044173.89	466.22	USD 2177224	982.80



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12. Disclosures pursuant to Accounting Standards -15 'Employee Benefits (Revised)':

(i) Defined Benefit Plan:

S.No.	Particulars	Gratuity (Funded)		Leave Encashment (Funded)	
		2010-11	2009-10	2010-11	2009-10
I	Change in Defined Benefit Obligation				
	Opening defined benefit obligation	119.20	-	30.09	-
	Interest cost	10.10	-	2.55	-
	Current service cost	10.70	8.69	3.76	2.85
	Benefits paid (if any)	(8.36)	(1.63)	-	-
	Actuarial (gain)/loss on obligation	12.48	112.14	3.16	27.24
	Closing defined benefit obligation	144.14	119.20	39.56	30.09
II	Change in Fair Value of Plan Asset				
	Opening fair value of plan assets	104.14	-	21.48	-
	Expected return on plan assets	10.26	1.96	2.42	0.72
	Contributions	39.25	103.81	10.19	20.76
	Benefits paid (if any)	(8.36)	(1.63)	-	-
	Actuarial (gain)/loss on Plan assets	-	-	-	-
	Closing fair value of plan assets	145.30	104.14	34.09	21.48
III	Actual Return on Plan Assets				
	Expected Return on Plan assets	10.26	1.96	2.42	0.72
	Actuarial (gain)/loss on Plan assets	-	-	-	-
	Actual Return on Plan Assets	10.26	1.96	2.42	0.72
IV	Amount recognised in the Balance Sheet				
	Closing defined benefit obligation	144.14	119.20	39.56	30.09
	Closing fair value of plan assets	145.30	104.14	34.09	21.48
	Net(Asset)/ Liability recognised in the Balance Sheet	(1.16)	15.06	5.47	8.61
V	Expenses recognised in the Profit and Loss Account				
	Interest cost	10.10	-	2.55	-
	Current service cost	10.70	8.69	3.76	2.84
	Expected return on Plan assets	(10.26)	(1.96)	(2.42)	(0.72)
	Actuarial (gain)/loss	12.48	112.14	3.16	27.24
	Expense recognised in Personnel Cost	23.03	118.88	7.05	29.37
VI	Balance Sheet Reconciliation				
	Opening net Liability	15.06	0.00	8.61	0.00
	Expenses (as above)	23.03	118.88	7.05	29.37
	Employer's contribution	39.25	103.81	10.19	20.76
	Amount recognised in Balance Sheet	(1.16)	15.06	5.47	8.61
VII	Actuarial Assumption used for the year				
	Discount Rate	8.50%	8.5%	8.50%	8.5%
	Rate of Return on Plan Assets	8.73%	-	8.73%	-
	Expected Salary Growth Rate	5.00%	5.00%	5.00%	5.00%
	Attrition Rate	2.00%	2.00%	2.00%	2.00%

Other Assumptions:

- Future salary increases considered in actuarial valuation take in to account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- Expected Return on Plan assets is based on market expectations, at the beginning of the year, for returns over the entire life of the related Obligations.
- Gratuity is payable to all employees at the rate of 15 days salary for each completed years of service. In respect of employees covered by the Payment of Gratuity Act, 1965, the same is subject to a maximum of Rs.10.00 lacs.

Note :

During the year, the Company has adopted Accounting Standard -15 Employee Benefits (Revised). In accordance with the transitional provision of the same, Rs.36.81 lacs (net of deferred tax asset of Rs.7.86 Lacs) being the difference between relevant liability as on 31st March, 2010 and as determined with this accounting standard as on 1st April, 2010, has been adjusted to the opening General Reserve.

Change in Accounting Policy

Since the valuation by the LIC was based on project unit credit method, therefore the valuation of gratuity by independent actuary and LIC is significantly similar. However, in respect of Leave encashment had the policy of booking expense on cash basis continued; profit for the year would have been higher by Rs 7.05 lacs & Provision would have been lower by Rs 5.47 lacs.

- Defined Contribution Plans - charge to the Profit and Loss Account based on contributions.

(Rs. in Lacs)

Particulars		31.03.2011	31.03.2010
i	Superannuation	5.67	5.37
ii	Provident Fund	21.81	13.73
		27.48	19.10

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13. Segment Information for the year ended 31st March, 2011 as required by Accounting Standard –17 Segment Reporting:

- (a) The Company is organized into three primary business segments mainly:
- i. Fertilizer and Chemicals
 - ii. Soya
 - iii. Others

- (b) Segments have been identified and reported taking into account the nature of products and services, the differing risk and returns, and the internal financial reporting system

(Rs. in Lacs)

Particulars	2011				2010			
	Fertilizers and Chemicals	Soya	Other	Total	Fertilizers and Chemicals	Soya	Other	Total
Revenue (Net)								
External Sales/ Revenue	34952.41	10721.95	59.17	45733.53	15496.71	4647.82	72.84	20217.37
Results								
Segment Results	6446.94	14.12	14.19	6475.25	612.64	(466.57)	27.39	173.46
Unallocated Corporate Expenses (Net)				-				-
Operating Profits				6475.25				173.46
Interest Expenses (Net)				1635.00				101.63
Profit before Exceptional Items and Taxations				4840.25				71.83
Exceptional Items				187.74				32.19
Tax Expenses				1506.86				(43.87)
Profit after Tax				3145.65				83.51
Other Information								
Segment Assets	25579.76	6705.79	467.89	32753.44	18252.53	6006.97	501.14	24760.64
Unallocated Corporate Assets				258.67				520.09
Total Assets				33012.11				25280.73
Segment Liabilities	4342.23	137.25	-	4479.48	4991.69	72.70	-	5064.39
Unallocated Corporate liabilities				1,323.82				143.97
Total Liabilities				5803.30				5208.36
Capital Expenditure	1743.41	0.65	-	1744.06	122.88	0.65	-	123.53
Unallocated Corporate Capital Expenditure				33.26				138.61
Total Capital Expenditure				1777.32				262.14
Depreciation / Amortisation	354.09	255.49	32.51	642.09	429.44	256.04	-	685.48
Unallocated Corporate Depreciation				27.89				24.46
Total Depreciation / Amortisation				669.98				709.94
Non Cash Expense other than Depreciation/ Amortisation	25.79	(4.78)	-	21.01	11.29	2.20	-	13.49
Unallocated Corporate Non Cash Expense other than Depreciation/ Amortisation				-				-
Total Non Cash Expense other than Depreciation/ Amortisation				21.01				13.49



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14. Related Party Disclosures as required by Accounting Standard –18 “Related Party Disclosures” are given below:

Relationship:

- (a) Related Party where control exists:
Shradha Projects Limited
- (b) An Associate and with whom the Company has transactions:
Shobhan Enterprises Private Limited (ceases to be an associate w.e.f 15th June, 2010)
- (c) Key Management Person and their Relatives:
 - (i) Shri Shailesh Khaitan : Chairman & Managing Director
 - (ii) Smt. Swapna Khaitan : Wife of Chairman & Managing Director
 - (iii) Shri R.S. Vijayvargiya : President & Secretary
- (d) Related party which is under significant influence of KMP and/or their Relatives:
 - (i) The Majestic Packaging Company Private Limited
 - (ii) Tribhuvan Properties Limited.
 - (iii) Arati Marketing Private Limited
 - (iv) Shobhan Enterprises Private Limited

During the year following transactions were entered into with Related Parties:

(Rs. in Lacs)

Name of Related Party	Nature of Transaction	31.03.2011	31.03.2010
Shobhan Enterprises Pvt. Ltd.	Loan given during the year	7538.55	769.01
	Loan recovered during the year	6916.74	1507.87
	Purchases	578.45	227.16
	Sales	829.86	-
	Processing charges paid	94.96	-
	Interest on loan received	80.85	168.51
	Brokerage received	1.23	0.55
	Corporate guarantee outstanding	444.94	484.94
	Loan Receivable Outstanding	621.82	552.73
	Shradha Projects Ltd.	Loan Accepted	100.00
Office Rent paid		23.45	23.45
Purchase of Land and Building		15.11	-
Interest paid		5.47	9.41
Sale of Investments		84.00	1.80
Dividend Paid		54.92	82.37
Loan Payable outstanding		100.00	-
Shri Shailesh Khaitan	Remuneration	106.57	39.62
	Dividend Paid	4.30	6.44
	Balance outstanding (cr.)	54.80	2.89
Smt. Swapna Khaitan	Dividend Paid	1.60	2.39
Shri R.S. Vijayvargiya	Remuneration	16.62	21.39
The Majestic Packaging Company Private Limited	Dividend Paid	26.46	39.68
	Sale of Investments	14.40	-
Tribhuvan Properties Limited	Rent Paid	33.09	33.09
Arati Marketing Private Limited	Brokerage Received	0.26	0.59
	Sale of Investments	144.00	-
	Loan Accepted	400.00	-
	Interest Paid	28.13	-
	Loan payable outstanding	400.00	-

15 (a) Amount paid /payable by the Company to Directors (including Managing Director) as remunerations of services rendered in any capacity:

(Rs.in Lacs)

Particulars	31.03.2011	31.03.2010
a) Directors' sitting fees	3.15	1.60
b) Salary and Allowances	52.80	24.00
c) Commission	45.00	-
d) Other perquisites and benefits	21.50	15.62
	<u>122.45</u>	<u>41.22</u>

KHAITAN CHEMICALS & FERTILIZERS LIMITED



(b) Computation of net profit for commission payable to the Directors in accordance with Section 198 of the Companies Act

Profit before Tax as per Profit and Loss Account	4649.68
Add: Managerial Remuneration	119.30
Director's sitting fees	3.15
Loss on Sale of Fixed Assets (net)	19.81
Loss on Sale of Investments	1.60
Provision for doubtful debts	15.00
Net profit as per Section 198 and 349 of the Companies Act, 1956	4808.54
Commission to Managing Director of the Company @ 1% of net profit restricted to an amount as determined by the Board of Directors	48.08
Commission payable with the consent Managing Director	45.00

16. Auditor's remuneration (excluding service tax) :

(Rs.in Lacs)

Particulars	31.03.2011	31.03.2010
a) Audit Fees	4.50	4.00
b) Other Services	4.13	2.50
c) Reimbursement of out of pocket expenses	2.01	1.66
	10.64	8.16

17) Pre-Operative Expenses:

A. Capital work-in-progress includes pre-operative expenses incurred at Dahej Unit

(Rs.in Lacs)

Particulars	31.03.2011	31.03.2010
Opening Balance	38.18	-
Addition during the year		
a) Legal and professional expense	0.43	2.90
b) Soil testing charges	-	0.89
c) Interest expense	21.15	29.87
d) Others (Net)	3.84	4.52
Total	63.60	38.18

B. Fixed Assets includes pre-operative expenses incurred at Rajnandgaon Unit

(Rs.in Lacs)

Particulars	31.03.2011	31.03.2010
a) Security Services	5.30	-
b) Power charges	10.12	-
c) Salary and Wages	4.21	-
d) Others	10.90	-
Total	30.53	-

18. Adjustments related to previous years includes prior –period items as per AS-5 -Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies:

(Rs.in Lacs)

Particulars	31.03.2011	31.03.2010
Expenses:		
a) Sales Tax/Entry Tax/ Excise Duty/Service Tax	8.28	-
b) Wages	12.86	-
c) Amortisation of Leasehold land	-	7.09
d) Repairs & Maintenance - Windmill	-	1.19
e) Others (Net)	1.37	36.05
Income:		
a) Foreign Exchange Fluctuation	-	(9.31)
Total	22.51	35.02

19. Earning Per Share

(Rs.in Lacs)

Particulars	31.03.2011	31.03.2010
Net Profit/(Loss) available for equity shareholders. (Rs./lacs)	3145.65	83.51
Number of equity shares outstanding (Nos.)	9698920	9698920
Basic and Diluted earnings per share (Rupees)	32.43	0.86
Face value per share	10.00	10.00



KHAITAN CHEMICALS & FERTILIZERS LIMITED

20) Additional information, wherever applicable, pursuant to paragraph 3 & 4 of Part II of Schedule VI to the Companies Act, 1956.

(a) Particulars of Capacities and Production (as certified by the Management)

S . No.	Particulars	Unit	Installed Capacity		Actual Production	
			2010-11	2009-10	2010-11	2009-10
i	Single Super Phosphate	MT	911,500	845,500	433,393*	332,543
ii	Sulphuric Acid	MT	270,600	221,100	140,911	94,895
iii	Oleum	MT	26,500	26,500	305	2,584
iv	Liq. Sulphur Trioxide	MT	3,300	3,300	2,162	1,924
v	Seed Crushing	MT	420,000	420,000	42,541**	12,135
vi	Refined Oil	MT	30,000	30,000	7,262***	5,485
vii	LABSA	MT	16,500	-	-	-

Note: Licensed Capacity per annum not indicated due to the abolition of Industrial Licenses as per Notification No.477 (E) dated 25th July, 1991 issued under The Industries (Development and Regulations) Act, 1951.

* Actual Production includes 34505 MT processed through job work basis

** Actual Production includes 10551 MT processed done through job work basis

*** Actual Production includes 868 MT processed done through job work basis

(b) Particulars of Raw Material Consumed:

S . No.	Particulars	2010-11		2009-10	
		Quantity (M. Tonnes)	Value (Rs. in lacs)	Quantity (M. Tonnes)	Value (Rs. in lacs)
i	Sulphur	48,905	3531.28	33,977	1407.26
ii	Rock Phosphate	251,858	16019.11	189,510	13000.07
iii	Sulphuric Acid / Spent Acid	67,724	1889.05	75,623	832.79
iv	Soya Seed / Oil	42,541	9450.65	12,135	2620.71
v	Oil / Degum	1,592	745.59	3,626	1514.88
vi	Others	-	4.16	-	2.08

(c) Particulars of Imported and Indigenous consumption of Raw Materials, Stores, Spares & Components:

S . No.	Particulars	2010-11		2009-10	
		% of total Consumption	Value (Rs. in lacs)	% of total Consumption	Value (Rs. in lacs)
I	Raw materials :				
	Imported	45.50	14397.82	46.63	9,034.95
	Indigenous	54.50	17242.02	53.37	10,342.85
	Total	100.00	31639.84	100.00	19,377.80
ii	Stores, Spares & Component				
	Imported	-	-	-	-
	Indigenous	100.00	2499.44	100.00	1481.75
	Total	100.00	2499.44	100.00	1481.75

(d) Particulars of value of Imports calculated on CIF basis:

Particulars	(Rs.in Lacs)	
	31.03.2011	31.03.2010
i Raw Material (including through other Importer Rs.1386.98 lacs: previous year Rs. 182.07 lacs)	10754.59	10203.48
ii Traded goods – Sulphur and Rock Phosphate on High Sea Sales basis	-	96.04
iii Capital goods	32.98	-
iv Components and Spare parts	-	-

KHAITAN CHEMICALS & FERTILIZERS LIMITED



(e) particulars of sales, opening stock and closing stock :

S . No.	Class of Goods	Unit	Opening Stock		Closing Stock		Sales	
			2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
i)	Single Super Phosphate (Rs. In lacs)	MT	122585 6583.38	34587 1572.92	104887 6556.33	122585 6583.38	451067 32604.44	244520 14010.29
ii)	Sulphuric Acid (Rs. In lacs)	MT	3937 84.04	3669 55.77	3514 129.48	3937 84.04	48730* 2304.31	45941* 1118.31
iii)	Soya Oil (Rs. In lacs)	MT	658 289.79	501 214.17	2644 1425.98	658 289.79	6929 3855.85	5345 2538.42
iv)	De-Oiled Cake (Rs. In lacs)	MT	92 14.64	16 2.68	3900 665.0	92 14.64	31178 5739.77	9964 1887.07
v)	Others (Rs. In lacs) (including traded goods)		7.85	10.02	18.83	7.85	1466.04	663.27**

* Excluding self consumption 92604 MT (Previous Year : 48687 MT)

** Net of Commodity Futures & Derivatives transactions

(f) Expenditure in Foreign Currency: (Rs.in Lacs)

S.No.	Particulars	31.03.2011	31.03.2010
i	Fees & Subscription	1.33	1.97
ii	Interest on Foreign currency loan	80.05	130.35
		81.38	130.35

(g) Earnings in Foreign Exchange:

S.No.	Particulars	31.03.2011	31.03.2010
i	Export of goods calculated on FOB basis	85.34	-
		85.34	-

21. Previous year figures have been re-arranged and/or re-grouped wherever considered necessary.

Per our report of even date attached
for **S.S. Kothari Mehta & Co.**
Chartered Accountants
Firm Regn. No 00756N

For and on behalf of Board

NAVEEN AGGARWAL
Partner
Membership No 94380

SHAILESH KHAITAN
(Chairman & Managing Director)

R.S. VIJAYVARGIYA
(President & Secretary)

J.L. JAJOO
O.P. BAGLA
DR. P. GOYAL
VIJAY GUPTA
(Directors)

PLACE: NEW DELHI
DATED : 18.05.2011



KHAITAN CHEMICALS & FERTILIZERS LIMITED

Balance Sheet Abstract and Company's General Business Profile :

I. Registration Details		Registration No. :	L24219MP1982PLC004937	State Code:	10
		Balance Sheet Date :	31st March, 2011		
II. Capital Raised During the Year:					
		(Rs.in lacs)			
		2010-2011			
	Public Issue				
	Rights Issue				
	Subscription through Warrants				
	Bonus Issue				
	Others				
III. Position of Mobilisation And Deployment of Funds:					
Total Liabilities		27,208.81			
Total Assets		27,208.81			
Source of Funds					
Paid - up Capital		969.89			
Reserves & Surplus		9,683.07			
Secured Loans		14,617.27			
Deferred Tax		1,438.58			
Application of Funds					
Net Fixed Assets		9,343.65			
Investments		9.49			
Net Current Assets		17,855.67			
Misc. Expenditure					
IV. Performance of the Company:					
Total Income		47,576.03			
Total Expenditure		42,926.35			
Profit/ (Loss) Before Tax		4,649.68			
Profit/ (Loss) After Tax		3,142.82			
Earnings Per Share (Rs.)		32.43			
Dividend @ 24% (last year 12%)		232.77			
V Generic Names of three principal products / services of the Company (as per monetary terms):					
Item Code No : (ITC Code)	31031000				
Product Description	Single Super Phosphate				
Item Code No : (ITC Code)	28070001				
Product Description	Sulphuric Acid				
Item Code No : (ITC Code)	15079000.10				
Product Description	Soyabean Oil Edible Grade				
Item Code No : (ITC Code)	230400.03				
Product Description	Meal of Soya Bean				

Per our report of even date attached
for **S.S. Kothari Mehta & Co.**
Chartered Accountants
Firm Regn. No 00756N

For and on behalf of Board

SHAILESH KHAITAN

(Chairman & Managing Director)

R.S. VIJAYVARGIYA

(President & Secretary)

J.L. JAJOO
O.P. BAGLA
DR. P. GOYAL
VIJAY GUPTA
(Directors)

NAVEEN AGGARWAL
Partner
Membership No 94380

PLACE: NEW DELHI
DATED : 18.05.2011

KHAITAN CHEMICALS & FERTILIZERS LIMITED

Regd. Office: A. B. Road, Village Nimrani, Dist. Khargone-451569 (M.P.)

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

Full Name of the member attending

Full name of the first joint holder

(To be filed in if first name joint-holder does not attend the meeting)

Name of Proxy

(To be filed in if Proxy form has been duly deposited with the Company)

I/we, hereby record my presence at the 29th Annual General Meeting of the Company held at the Registered of the Company at A.B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone (M.P.) on Friday, 29th day of July, 2011 at 1.00 P.M.

Folio No. or DP Id/Client Id No. :

No. of Shares held :

Member's / Proxy's Signature
(To be signed at the time of handing over this slip)

Note: Members are requested to bring their copies of the Annual Report to the Meeting.

KHAITAN CHEMICALS & FERTILIZERS LIMITED

Regd. Office: A. B. Road, Village Nimrani, Dist. Khargone-451569 (M.P.)

PROXY FORM

I/We of in the district of being a member/members of KHAITAN CHEMICALS & FERTILIZERS LIMITED, hereby appoint of in the district of or failing him, of in the district of as my/our proxy to vote for me / us on my / our behalf at the 29th Annual General Meeting of the Company to be held on Friday, 29th day of July, 2011 at 1.00 P.M. at A.B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone (M.P.) and any adjournment thereof.

Signed this day of 2011.

Folio No. or DP Id/Client Id No. :

No. of Shares held :

**AFFIX
Rupee 1.00
Revenue
Stamp**

NOTES:

1. The Proxy Form must be lodged at the Registered Office of the Company, not less than 48 Hours before the commencement of the Meeting.
2. The Proxy should be signed according to the Specimen Signature(s) of the Member(s) recorded with the Company.

* **Strike out whichever is not applicable**

FOR OFFICE USE ONLY:

PROXY NO.:

DATE OF RECEIPT:

BOOK-POST

To,



खेतान केमिकल्स एण्ड फर्टिलाइजर्स की निम्बाहेड़ा (राजस्थान) स्थित इकाई को 'श्रेष्ठ उत्पादकता अवार्ड' एवं 'पर्यावरण पुरस्कार' फर्टिलाइजर्स एसोसिएशन ऑफ इण्डिया द्वारा वर्ष 2009-2010 के लिए केन्द्रीय मंत्री (उर्वरक एवं रसायन) श्री एम.के. अजागिरी द्वारा दिया गया। दृष्टव्यः कंपनी के सीनियर वाईस प्रेसिडेंट श्री एस.पी. जैन पुरस्कार प्राप्त करते हुए, समीप है श्री ए. वैल्लायन, अध्यक्ष, एफ.ए.आई व श्रीमान श्रीकांत जैन, राज्यमंत्री (उर्वरक एवं रसायन)।



If undelivered, Please return to :
Khattan Chemicals & Fertilizers Limited
301-308, Apollo Arcade Old palasia
Indore - 452 018 (M.P.)