



KHAITAN CHEMICALS & FERTILIZERS LIMITED



31st Annual Report 2012-2013

KHAITAN CHEMICALS & FERTILIZERS LIMITED



ANNUAL GENERAL MEETING	BOARD OF DIRECTORS
Date : 6 th day of August, 2013 Day : Tuesday Time : 1.00 P.M. Place : Registered Office	Shailesh Khaitan : Chairman & Managing Director J. L. Jajoo : Whole Time Director Dr. P. Goyal : Director Vijay Gupta : Director B.M. Dakhera : Director
REGISTERED OFFICE	PRESIDENT & SECRETARY
A. B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone -451569 (M.P.)	R. S. Vijayvargiya
INDORE OFFICE	AUDITORS
301-308, Apollo Arcade, 1/2, Old Palasia, Indore -452018 (M.P.)	M/s. S. S. Kothari Mehta & Co. 146-149, Tribhuvan Complex, Ishwar Nagar, Mathura Road, New Delhi-110065
DELHI OFFICE	KOLKATA OFFICE
201, Skipper House, 62-63, Nehru Place, New Delhi-110019	46-C, Rafi Ahmed Kidwai Road, 3 rd Floor, Kolkata-700 016
WORKS	SOLICITORS:
Fertilizers & Chemical Division: 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 (Chhattisgarh) 6) 42/7, GIDC Industrial estate, Dahej, Vagra Dist. Bharuch-392 130 (Gujarat) (Under Construction) Processing facility at Arihant Phosphate & Fertilizers Limited 7) Village Sagwadia, Tehsil Nimbaheda, Dist. Chittorgarh-312601, Rajasthan	M/s. Khaitan & Partners Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-110001
	BANKERS
	• State Bank of India • IDBI Bank Ltd. • Corporation Bank • HDFC Bank Ltd. • Axis Bank Ltd.
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	LISTING OF SHARES
Soya Division: Dosigaon Industrial Area Ratlam-457001 (M.P.)	The Bombay Stock Exchange Ltd. (B.S.E.) Stock Code: 507794 ISIN No.: INE745B01028 (NSDL & CDSL)

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.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



NOTICE

NOTICE is hereby given that the **THIRTYFIRST 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. Kargone, Madhya Pradesh on Tuesday, 6th day of August, 2013 at 1.00 P.M. to transact the following business:

ORDINARY BUSINESS:

- To receive, consider and adopt the audited statement of accounts for the year ended 31st March, 2013 and the Reports of the Directors and Auditors thereon.
- To declare dividend for the year ended 31st March, 2013.
- To appoint a director in place of Shri Vijay Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint auditors and to fix their remuneration.

Registered Office:

A. B. Road, Village-Nimrani,
Dist. Kargone (M.P.)
Date: May 14, 2013

By Order of the Board

S/d
(R. S. VIJAYVARGIYA)
President & Secretary

NOTES:

- 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 to the meeting.
- 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 register 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.

- Member(s)/Proxies are requested to bring the attendance slip annexed herewith, duly filled in, for attending the meeting.

- The Register of Members and Share Transfer Books of the Company will remain closed from 1st day of August, 2013 to 6th day of August, 2013, both days inclusive for the purpose of payment of dividend, if declared at the Annual General Meeting.
- Members who hold shares in dematerialized form are requested to quote Depository Account Number (Client ID No.) for recording of attendance at the meeting.
- Members are requested to notify to the Company immediately, quoting Registered Folio No., change in their address, if any, with the pin code number.
- 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.
- Members who are holding shares in identical names in more than one folios, are requested to write to the Company/Ankit Consultancy Pvt. Ltd., the Registrar and share transfer agent, to consolidate their holding in one folio.
- Shareholders who are still holding physical share certificate are advised to dematerialise their shareholding to avail benefit of dematerialisation.
- The Company has transferred all unpaid/unclaimed equity dividends up to the financial year 2004-05 to the Investor Education & Protection Fund (IEPF) established by the Central Government pursuant to section 205C of the Companies Act, 1956.
- 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.
- Profiles of directors being re-appointed, as required under Clause 49 of the Listing Agreement, are annexed hereto and form part of the Notice.

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

Name of Director	Shri Vijay Gupta
Age	56 years
Qualification	Businessman
Date of Appointment	18 th May, 2011
Expertise	Businessman
Other Directorships (excluding Pvt. Companies) as on 31 st March, 2013	Nil
Chairman / Member of the Committees as on 31 st March, 2013	Khaitan Chemicals & Fertilizers Ltd.: Member-Shareholder's/Investor's Grievances Committee, Audit Committee and Remuneration Committee.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 31st annual report of the Company and audited statement of accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS

The financial performance of the Company for the year ended 31st March, 2013 is summarised below:

FINANCIAL RESULTS

(Rs. in lacs)

Particulars	2012-13	2011-12
Sales (Gross)	45,971.89	64,858.54
Net Sales	45,875.77	64,787.35
Surplus before interest, depreciation, exceptional items and Tax	3,077.10	6,487.83
Less: Financial Cost	2,555.60	2,609.26
Cash Profit before tax	521.50	3,878.57
Less: Depreciation	732.14	731.62
Exceptional Items	(409.78)	95.06
Profit/(Loss) before taxation	199.14	3,051.89
Provision for current tax	39.84	969.61
MAT Credit & Entitlement	(34.81)	-
Deferred tax	(5.77)	(86.43)
Income Tax of earlier year	(13.15)	(5.49)
Profit/(Loss) after taxation	213.03	2,174.20
Transfer to General Reserve	25.00	1000.00
Proposed Dividend @ 5%	48.49	232.77
Tax on Proposed Dividend	8.24	37.76
Earning Per Share (face value of Re. 1/- each)	0.22	2.24

REVIEW OF OPERATIONS

Fertilizer & Chemicals Division:

The Company welcomes the Government's initiative to directly transfer the subsidy to farmers which shall give the farmers unrestricted choice as well as make them understand the real worth of fertilizers used by them.

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

The Financial year 2012-13 was beset with challenges. A weak economic environment, persistently high inflation, high interest rates, a weakening currency and prolonged policies & regulatory uncertainty resulted into sluggish demand.

During the year, lower NBS subsidy & significant increase in higher maximum retail prices (MRP) to the farmers also affected the consumption of phosphatic fertilisers, besides the draught in some parts of India. The Company produced 389052 MT (previous year 522358 MT) Single Super Phosphate and sold 402861 MT (previous year 538250 MT). It is ironic that on top of the above situation, the Government of India has delayed the release of huge subsidy since October' 2012 and further has declared NBS Rate for the FY 2013-14, as late as 3rd May, 2013, creating uncertainty in the market.

We are confident that in a rational subsidy scheme, the SSP industry shall grow considerably resulting in higher availability of this 'Generic Customized Fertilizer' for Indian farmers at competitive prices with no extra cost to exchequer. With the growth of the Industry and the Government's commitment to encourage this fertilizer through greater extension services, it shall also reduce the country's dependence on imported phosphatic fertilizer.

The Govt. is yet to take final decision on subsidy mopped up on Finished

Goods/Work in Process on Stocks lying as on 31.03.2011 and is yet to declare its mopping up policy.

The Company expects stabilization in Raw Material prices as well as Government's policy towards NBS (timely declaration & mopping up) which shall benefit the whole Fertilizer Industry, including the SSP Industry.

The Company is in the process of increasing its granulation capacity after getting necessary Government clearances for its various locations.

Soya Division:

In view of increasing speculative behavior in the market, which is not at all aligned with either International market or with forward market, the Company has virtually reduced its activities in this segment to a large extent.

The Company is trying to limit its fixed expenses in view of reduced activities.

DIVIDEND:

The Board of Directors is pleased to recommend final dividend of Re. 0.05 per equity share (face value of Re. 1/- per share) for the year 2012-2013, previous year Re.0.24 per equity share.

PROJECTS & FINANCE:

The project for manufacturing of 2,00,000 TPA of SSP and Phospho Gypsum at Dahej, Gujarat, is going on in full swing and it is expected to commence production in financial year 2013-14.

During the year, the Company has incurred loss (including MTM) of Rs. 860.35 lacs on account of Foreign Exchange Fluctuation (previous year loss Rs. 910.94 lacs) and grouped in 'other expenses'.

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.

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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.

Regarding Emphasis of Matter under point No. 5 of the Auditors' Report, the Management is of the view that this would not result into a liability and therefore the Company has not provided for mopping of subsidy on raw materials of fertilizer as on 31.03.2011 in terms of Office Memorandum No. 23011/1/2010-MPR dated 11-07-2011 issued by the Ministry of Chemicals & Fertilizers, Govt. of India, being reconsidered vide their letter No. 23011/1/2010-MPR (Pt) dated 22.08.2012, wherein the GOI has decided not to effect recovery till a policy in this regard is formulated. This has strengthened the management's view for not providing the above liability.

All other 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, Sulphuric Acid and Soya products for the financial year 2013-2014.

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. NIL lacs on export of goods (Previous year Rs. NIL) and incurred Rs. 18430.90 lacs (Previous year Rs. 17087.32 lacs) on import of Raw Materials, Capital Goods, Fees & Subscription and Interest on Foreign Currency Loan.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Vijay Gupta, the director of the Company is due to retire at forthcoming Annual General Meeting, and being eligible, has offered himself for re-appointment. Directors recommend his reappointment.

Particulars of the directors seeking appointment/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, 2000, 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 at 31st March, 2013 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:

In accordance with Clause 49 of the listing agreements with Stock Exchange, the Management Discussion and Analysis Report forms part of this Report (Annexure - B)

CORPORATE GOVERNANCE:

Your Company has always strived to maintain appropriate standards of good corporate governance. The report on corporate governance as stipulated under clause 49 of the listing agreements forms part of this Report. The requisite certificate from the auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the said clause is attached to this report. 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, 2013 to the BSE.

PARTICULARS OF EMPLOYEES:

The particulars of employees required to be furnished under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report (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, HDFC Bank Limited and Axis Bank Ltd., 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

(SHAILESH KHAITAN)

CHAIRMAN & MANAGING DIRECTOR

Place: Dahej

Date: 14.05.2013

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	9173543	13959688
Total amount (Rs. in Lacs)	640.49	812.55
Rate/Unit (Rs.)	6.98	5.82
b) Own generation:		
i. Through diesel generator Units		
Total amount (Rs. in Lacs)	89456	172062
Rate/Unit (Rs.)	18.98	26.35
Rate/Unit (Rs.)	21.22	15.32
ii. Through steam turbine Units *		
Total amount	9558367	12911822
(*Net of Self Consumption in TG)	-	-
2. Coal:		
Quantity (In MT)	1130	4285
Total Cost (Rs. in Lacs)	72.78	277.33
Rate/Unit (MT) (Rs.)	6442.99	6471.61
3. Furnace oil:		
Quantity (K. Lts.)	527	1773
Total Amount (Rs. in lacs)	253.04	743.25
Average Rate /Lt.	48.00	41.91

B. Consumption per Unit of Production:

Item	Product	Current Year	Previous Year
Electricity (KWH/MT)	S.S.P./G.S.S.P	30	28
	S.A./Oleum/Liquid So3	60	64
	Soya Oil/Doc	78	46
Coal (KG/MT)	Soya Oil/Doc/Power	97	72
	G.S.S.P.	44	-

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 Employed throughout the year:	Age/No. of years Experience	Date of Commencement of Employment	Remuneration (Rs. in Lacs)	Last Employment
Shri Shailesh Khaitan B.Com (Hons.)/ Chairman & Managing Director	57/33	01-09-84	47.76	Managing Director, M/s. Majestic Packaging (P) Ltd. Calcutta.

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:

Particular	(Quantity in MT)				
	2012-13	2011-12	2010-11	2009-10	2008-09
Production:					
SSP	389052	522358	433393	332543	226000
Sulphuric Acid	123014	164467	140911	94895	62423
Oleum/Liquid So3	1193	773	2467	4508	4659
Seed Crushing	4362	47829	42541	12135	51395
Refined Oil	3878	11164	7262	5485	11895
Sales:					
SSP	402861	538250	451067	244520	220259
Sulphuric Acid	38555	40488	48730	45941	35668
Soya Oil	4509	11836	6929	5345	12284
De-Oiled Cake	3698	41964	31178	9964	46143

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

Particular	(Rs. In lacs)				
	2012-13	2011-12	2010-11	2009-10	2008-09
Sales:					
Fertilizer	39893.47	48553.09	35024.27	15595.54	21459.32
Soya	5027.46	15631.21	10735.83	4690.44	13630.90
P&IDT:					
Fertilizer	2520.40	5071.90	6871.80	1086.84	4240.29
Soya	(212.59)	650.19	269.61	(210.53)	87.07
EPS(Rs):	0.22	2.24	32.43	0.86	10.61
DIVIDEND:	5%	24%	24%	12%	18%
Face Value (per share)	1	1	10	10	10

FERTILIZER & CHEMICALS DIVISION:

The Company has India's Largest Single Super Phosphate (SSP) Production Capacity of 9,13,500 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 intermediary raw material for production of SSP.

During the year the Company has produced 3,89,052 MT SSP (including 38,483 MT through job work basis), and sold 4,02,861 MT SSP.

The Company is determined to keep its leading position in SSP industry.

Industry Structure and Developments:

Agriculture is the third largest sector of Indian Economy which contributes around 14% of total GDP of the Country. Fertilizer industry, with the emerging scenario, plays vital role in the growth of Agri-Sector. Government's thrust to encourage SSP to substitute imports of DAP and NPK is an indicator of upward trend in the Industry's future. 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 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.

Financial Year 2012-13 was the third year of implementation of the NBS (Nutrient Base Subsidy). Government of India has initiated to move towards the system of paying subsidy directly to beneficiary viz, the farmers. Under this scheme, the first stage would be to ensure visibility of information upto retail level through mobile based Fertilizer Monitoring System (mFMS).

NBS Policy has put the SSP industry at near level with other fertilizers 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.

However, in FY 2013, the SSP industry was faced with a crisis of sorts i.e. financial crunch due to rise in the cost of production, inability to raise the retail price of the fertilizers, abnormal delay in release of subsidy besides the general economic slowdown.

Despite the slowdown in FY 2013, the Industry is optimistic for FY 2014 on account of economic stability, Government's encouragement and improvement in the financial environment.

Future Outlook:

The Country's stress on higher agri-productivity with considerable better realization to farmers is bound to increase the demand of fertilizers. However at the same time this may not immediately reflect in the figures due to optimization in the use of fertilizer by farmers and control on diversion of subsidized fertilizers to neighboring countries as well as other (mis)uses. **The direct transfer of subsidy shall also encourage farmers to rationale use of fertilizers.**

Fertilizer industry including SSP is a capital intensive Industry and requires a huge working capital. Therefore interest rates and delay in disbursement of subsidy are always matters of concern to the Company.

The Single Super Phosphate fertilizer is a generic customized fertilizer containing sulphur, calcium & other micro nutrients besides phosphate. The Nutrient Base Subsidy is a long term positive for Fertilizer Industry particularly SSP Industry with free market mechanism encouraging more interaction between producers and farmers for efficient use of fertilizer for better agriculture output. The Company expects healthy growth in the demand for fertilizers, especially SSP due to the Government's focus on promotion of a more balanced nutrient consumption.

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. The well maintained plant and equipments ensure uninterrupted production and distribution of goods.

Opportunity, Threats, Risk & Concerns:

The Company welcomes the Government's initiative to directly transfer the subsidy to farmers which shall give the farmers unrestricted choice as well as make them understand the real worth of fertilizer used by them.

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, due to inherent benefit to Indian farmers, and the Country.

The Company is in an advantageous position for tapping its already established production capacity with multi-geographical locations; wide spread marketing network and high brands for its product.

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

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lead to intense competition for market share.

SSP fertilisers are based on imported raw-materials which can face severe volatility in prices and foreign currency exchange rates, affecting the profitability of the Company. Agro-Climatic conditions also have large effect on the performance of the Company

The Company hopes for stability in the Raw Material prices as well as Government policies including timely declaration of NBS rates and the Mopping-up policy which shall in turn bring stability to the SSP sector.

Delay in subsidy payments, 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 coming up 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 4362 MT (Previous year 47829 MT) Soybean seed.

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 10-12 years, and figures around 31 million tons in absolute terms. Countries like U.S, China, Argentina and India have 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 view of increasing speculative behavior in the market which is not at all align with International market or with forward market alongwith very high incentives to new industries. It will be difficult to expect the significant improvement and performance in the current year.

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.

The Company is trying to reduce its fixed expenses in view of restricted activities.

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 produces and sells its 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 alongwith long shelf life and volatility of international market make soybean & soya oil very speculative products in Commodity Exchanges.

In view of increasing speculative behavior in the market, which is not at all aligned with either international market or with forward market, the Company has virtually reduced its activities to a large extent.

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 O.P. Bagla & Co., Chartered Accountants, New Delhi, as an Internal Auditor, who report significant findings to the Audit Committee of the Board. Consequently required 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 reasonably cordial with our Union(s).

ENVIRONMENT AND SAFETY:

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

At Company, environment concerns have always taken precedence; Our Factories are certified by OHSAS 18001-2007 through external auditors and have been re-certified for International standards ISO 14001-2004 for Environment Management System and ISO 9001-2008 for Quality Management System.

To address the concerns on Environment Protection, concrete efforts were made towards natural resource conservation by way of water harvesting, Sewage Treatment Plant etc.

The Company was awarded "ENVIRONMENTAL PROTECTION AWARD"- Runner up by "THE FERTILIZER ASSOCIATION OF INDIA" for its Nimbahera plant.

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.

**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, shareholders, 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 five. Out of the five directors, three directors are Non -Executive and independent and Shri Shailesh Khaitan, an Executive Promoter-Director is the Chairman & Managing Director of the Company & Shri J.L. Jajoo, an Executive-Director is the Whole Time 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, 2013, 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	Four	Yes
Shri J.L. Jajoo	Executive	NIL	NIL	NIL	Three	Yes
Dr. P. Goyal	Independent, Non- Executive	NIL	NIL	One	Three	Yes
Shri Vijay Gupta	Independent, Non- Executive	NIL	NIL	NIL	Four	Yes
Shri Balmukund Dakhera	Independent, Non- Executive	NIL	NIL	Two	Four	Yes

During the financial year ended on March 31, 2013, Four Board Meetings were held on May 29, 2012, August 3, 2012, October 30, 2012 and February 8, 2013.

The Company's last Annual General Meeting (AGM) was held on August 3, 2012.

3. BOARD COMMITTEES:**A. AUDIT COMMITTEE**

The present strength of the Audit Committee is three. Shri Balmukund Dakhera 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, 2013:

S. No	Name of Members	Status	No. of Meetings Attended
1.	Shri Balmukund Dakhera	Chairman	4
2.	Dr. P. Goyal	Member	3
3.	Shri Vijay Gupta	Member	4

During the financial year ended March 31, 2013, four meetings of Audit Committee were held on May 29, 2012, August 3, 2012, October 30, 2012 and February 8, 2013.

(b) Quorum: Two independent members.

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

KHAITAN CHEMICALS & FERTILIZERS LIMITED



B. REMUNERATION COMMITTEE

The present strength of the Remuneration Committee is three. All three are non-executive directors as members, viz., Shri Balmukund Dakhera, Dr. P. Goyal & Shri Vijay Gupta. Shri R.S. Vijayvargiya, President & Secretary of the Company also acts as the Secretary to the Committee. Shri Balmukund Dakhera is the Chairman of the Committee.

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.

One meeting was held on during the financial year 2012-2013 on 29.05.2012. Shri Balmukund Dakhera, Dr. P. Goyal, Shri Vijay Gupta and Shri R.S. Vijayvargiya, President & Secretary were present in the meeting.

Details of remuneration paid to Executive Director for the financial year 2012-13.

Name	Designation	Salary	Commission/ Sitting Fees	Perks & allowances	Total	Tenure
Shri Shailesh Khaitan	Chairman & Managing Director	25.02	-	22.74	47.76	3 years
Shri J.L. Jajoo	Whole Time Director	12.00	-	-	12.00	3 years

The Non-executive Directors are paid remuneration by way of sitting fees Rs.15000/- & 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 year 2012-13 is given below:

S. No.	Name of Directors	Sitting Fees (in Rs.)
1	Dr. P. Goyal	97,500
2	Shri Vijay Gupta	1,27,500
3	Shri Balmukund Dakhera	97,500

C. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

The Board has constituted a Shareholders'/Investors' Grievance Committee consisting of three members, chaired by Dr. P. Goyal, an Independent, Non Executive Director. The Committee meets at regular 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	Dr. P. Goyal	Chairman, Independent, Non-executive	3
2.	Shri Vijay Gupta	Member, Independent, Non-executive	4
3.	Shri R.S. Vijayvargiya	Member, Executive	4

During the financial year ended March 31, 2013, four meetings of shareholders'/investors' Grievance Committee were held on May 29, 2012, August 3, 2012, October 30, 2012 and February 8, 2013.

(a) Quorum: Two independent Members.

(b) Secretary to the Committee: Shri 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, 4237926 Fax No. 0731-2562572

Email- khaitanchemfert@gmail.com

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

194 Nos. of complaints received, and replied to the satisfaction of the SEBI and shareholders etc. during the year ended March 31, 2013. Outstanding complaints as on March 31, 2013 were Nil. The number of pending share transfers was Nil and pending requests for dematerialization was for CDSL & NSDL-NIL as on March 31, 2013. These have been since approved/dematerialised.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



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
28.	2009-2010	Registered office of the Company	July 30, 2010	1.00 P.M.
29.	2010-2011	Registered office of the Company	July 29, 2011	1.00 P.M.
30.	2011-2012	Registered office of the Company	August 3, 2012	1.00 P.M.

7. DISCLOSURES:

- 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.
- 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
- 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.
- 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.

B. MEANS OF COMMUNICATION:

- 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.
- 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.
- 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, 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	: 6 th Day of August, 2013
Time	: 1.00 P.M.
Venue	: A.B. Road, Village Nimrani, Tehsil Kasrawad, Dist. Khargone-451569 (M.P.)

Financial Calendar:

Financial reporting for the quarter ending June 30, 2013	: On or before August 14, 2013
Financial reporting for the half year ending September 30, 2013	: On or before November 14, 2013
Financial reporting for the quarter ending December 31, 2013	: On or before February 14, 2014
Financial reporting for the year ending March 31, 2014	: On or before May 30, 2014

Date of Book Closure:

1st day of August, 2013 to 6th day of August, 2013 (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), Mumbai

Stock Code: 507794

KHAITAN CHEMICALS & FERTILIZERS LIMITED



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

(Price in Rs.)

Month	High	Low	Volume of Shares Traded
April, 2012	17.60	14.20	5,51,098
May, 2012	16.25	13.60	1,91,627
June, 2012	15.00	13.00	4,53,122
July, 2012	15.70	12.50	4,50,312
August, 2012	14.20	13.25	5,33,456
September, 2012	14.84	13.05	1,43,600
October, 2012	16.85	13.25	4,89,966
November, 2012	14.48	13.30	2,17,465
December, 2012	14.20	13.00	2,41,930
January, 2013	14.00	12.70	2,06,143
February, 2013	14.25	11.30	2,18,068
March, 2013	13.70	10.59	6,57,115

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 shares	2 days
5.	Change of Address / Bank Mandate	2 days
6.	General Queries	2 days

Distribution of shareholding as on March 31, 2013:

No. of Equity Shares held	No. of shareholders	% of share-holders	No. of shares held	% of shareholding
Upto 1000	21461	93.88	4583119	4.73
1001 to 2000	647	2.83	1053171	1.09
2001 to 3000	180	0.79	489657	0.50
3001 to 4000	82	0.36	301820	0.31
4001 to 5000	129	0.56	626760	0.65
5001 to 10000	167	0.73	1303055	1.34
10001 and above	194	0.85	88631618	91.38
Grand Total	22860	100.00	96989200	100.00

Categories of Shareholders as on March 31, 2013

Category	No. of shares Held	% of Shareholding
Promoters	72736170	74.99
Financial Institutions, Mutual Fund and Banks	6950	0.01
Private Corporate Bodies	6362698	6.56
Non-residents /OCBs	500021	0.52
Indian Public	17383361	17.92
Total	96989200	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, 2013, 9,35,99,832 equity shares of the Company, which amount to 96.51% 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 exists therein. The equity shares of the Company are actively traded on BSE.

International Security Identification No. (ISIN): NSDL and CDSL: INE745B01028
Plant Locations: The Company has the following manufacturing and operating divisions:

Fertilizer & Chemicals Division:

- 1. A. B. Road, Village Nimrani,**
Tehsil Kasrawad, Dist. Khargone (M.P.)-451 569
- 2. Village Goramachia, Jhansi-Kanpur Road,**
Jhansi (U.P.)-248 001
- 3. Village Dhinva, Tehsil Nimbahera,**
Dist. Chittorgarh-312 601 (Rajasthan)
- 4. A-1, UPSIDC Industrial Area, Malwan,**
Dist. Fatehpur-212 664 (U.P.)
- 5. Village Farhad (Somni)**
Dist. Rajnandgaon-491443 (Chhattisgarh)
- 6. 42/7, GIDC Industrial Estate,**
Dahej, Vagra, Dist. Bharuch-392 130 (Gujarat)
(Under Construction)

Processing facility at Arihant phosphate & Fertilizers Ltd.

- 7. Village Sagwadia, Tehsil Nimbahera,**
Dist. Chittorgarh-312601, Rajasthan

Soya Division (Khaitan Agro):

Industrial Area, Dosigaon, Ratlam (M.P.) - 457 001

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.)
Tel.: 0731-4237926 Fax: 0731-2562572
Email- khaitanchemfert@gmail.com

Registrar & Share Transfer Agent:

M/s Ankit Consultancy Pvt. Ltd.
60, Electronic Complex, Pardeshipura, Indore (M.P.) 452010
Tel.: 0731-2551745-46 Fax: 0731-4065798
E-mail-ankit_4321@yahoo.com

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

The Members,
Khaitan Chemicals & Fertilizers Limited

We have examined the compliance of conditions of corporate governance by Khaitan Chemicals & Fertilizers Limited, for the year ended March 31, 2013, 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, 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 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.

For **S.S. Kothari Mehta & Co.**
Chartered Accountants
Firm Regn. No. 000756N

Palce : Dahej
Date : 14.05.2013

Harish Gupta
Partner
M.No. 98336

KHAITAN CHEMICALS & FERTILIZERS LIMITED



INDEPENDENT AUDITOR'S REPORT

To,
The Members,
Khaitan Chemicals & Fertilizers Limited,

1. We have audited the accompanying financial statements of **Khaitan Chemicals & Fertilizers Limited** (the Company) which comprise the Balance Sheet as at 31st March, 2013, and the statement of Profit and Loss and cash flow statement for the year then ended, and the Notes to Financial Statements comprising of a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Emphasis of Matter

We draw attention to Note No 36 of the notes to the financial statements for the year ended on 31st March 2013 regarding the fact that the Company has decided not to provide for mopping up of subsidy on raw material of fertilizer as on 31-3-2011 in term of Office Memorandum No.2311/1/2010-MPR dated 11-07-2011 issued by Ministry of Chemicals & Fertilizers, Govt. of India, being reconsidered vide their letter No 23011/1/2010-MPR (pt) dated 22.08.2012 and decided not to effect recovery till a policy in this regard is formulated. *The impact on Revenue from Operations and Profit after tax is unascertainable at this stage.*

6. Report on Other Legal and Regulatory Requirements

- (a) As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- (b) As required under provisions of section 227(3) of the Act, 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 purpose 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, Statement of Profit & Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement 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, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956

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

Palce : Dahej
Date : 14.05.2013

HARISH GUPTA
Partner
Membership No. 98336



ANNEXURE TO THE AUDITORS' REPORT

(As referred to in paragraph 6(a) of our report to the members of Khaitan Chemicals & Fertilizers Limited on the accounts as at & for the year ended 31st March 2013)

- (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. 1120 lacs and Rs. 317.68 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. 515.12 lacs and Rs. 110 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 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.
- (b) Further, According to information & explanations given to us, there were no undisputed amounts outstanding at the year-end for a period of more than six months from the date they became 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 Act, 1974	Entry tax	0.11 Lacs	1991-92	Tribunal Commercial Tax, Bhopal
4.	Mines and Minerals (Development & 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.	Central Excise Act	Penalty	17.78 Lacs	2007-08	Custom Excise and Service Tax Appellate Tribunal
7.	UP Trade Tax 1948	Sales Tax	1.00 Lacs.	2006-07	The Deputy Commission Commercial Tax-Jhansi
8.	M.P. Entry Tax Act 1976	Entry Tax	28.27 lacs	2007-08	MP Commercial Tax Appellate Board, Bhopal
9.	Income Tax Act 1961	Income Tax	19.34 Lacs	2009-10	CIT (Appeal), New Delhi

- (x) The company does not have any accumulated losses as at 31st March, 2013 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, 2013.

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

Palce : Dahej
Date : 14.05.2013

HARISH GUPTA
Partner
(Membership No. 98336)

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Balance Sheet as at 31st March, 2013

	Note No.	As at 31.03.2013	Rs. in Lacs As at 31.03.2012
EQUITY AND LIABILITIES			
Shareholders funds			
Share capital	3	969.89	969.89
Reserves and surplus	4	11,743.03	11,586.74
		12,712.92	12,556.63
Non-current liabilities			
Long-term borrowings	5	1,487.35	2,384.11
Deferred tax liabilities (Net)	6	1,346.38	1,352.15
Other long term liabilities	8	59.09	32.19
Long-term provisions	9	34.89	8.00
		2,927.71	3,776.45
Current liabilities			
Short-term Borrowings	7	29,052.75	18,508.16
Trade payables	8	2,642.14	10,024.38
Other current liabilities	8	1,922.50	2,311.72
Short-term provisions	9	162.32	414.79
		33,779.71	31,259.05
TOTAL		49,420.34	47,592.13
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	9,195.30	9,098.50
Intangible assets	10	7.45	-
Capital work-in-progress	10	1537.06	428.59
Intangible assets under development	10	52.95	41.83
Non-current investments	11	9.49	9.49
Long-term loans and advances	12	397.65	476.61
Other Non-current Assets	13	-	-
		11,199.90	10,055.02
Current assets			
Inventories	14	18,548.82	16,847.20
Trade receivables	15	5,660.66	4,529.30
Cash and Bank balances	16	2,955.67	4,148.47
Short-term loans and advances	12	1,484.17	1,058.27
Other current assets	13	9,571.12	10,953.87
		38,220.44	37,537.11
TOTAL		49,420.34	47,592.13
Summary of Significant accounting policies	2.1		

The accompanying notes are an integral part of these financial statements.

Per our report of even date attached

For and on behalf of Board

for **S.S. Kothari Mehta & Co.**
Chartered Accountants
Firm Regn. No 00756N

HARISH GUPTA
Partner
Membership No.98336

Place: Dahej
Dated: 14.05.2013

SHAILESH KHAITAN
(Chairman & Managing Director)

R.S. VIJAYVARGIYA
(President & Secretary)

J.L. JAJOO
(Whole Time Director)

Dr. P. Goyal
Vijay Gupta
Balmukund Dakhera
(Directors)

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Statement of Profit and Loss for the year ended 31st March, 2013

	Note No.	Year ended 31.03.2013	Rs. in Lacs Year ended 31.03.2012
Income			
Revenue from operations (Gross)	17	45,971.89	64,858.54
Less: Excise Duty		471.21	416.17
Revenue from operations (Net)		45,500.68	64,442.37
Other income	18	375.09	344.98
Total Revenue		45,875.77	64,787.35
Expenses:			
Cost of Materials Consumed	19	31,176.19	45,385.57
Purchases of Stock in Trade		229.49	-
(Increase)/Decrease of finished goods, work in progress & Stock in trade	20	1,691.12	839.09
Employee benefits expense	21	961.36	963.29
Finance costs	22	2,555.60	2,609.26
Depreciation and amortization expense	10	732.14	731.62
Other expenses	23	8,740.51	11,111.57
Total expenses		46,086.41	61,640.40
Profit before exceptional & extraordinary items & tax		(210.64)	3,146.95
Exceptional Items	24	(409.78)	95.06
Profit before extra-ordinary items & tax		199.14	3,051.89
Extra ordinary items		-	-
Profit before tax		199.14	3,051.89
Tax expense:			
Current tax		39.84	969.61
MAT credit entitlement		(34.81)	-
Deferred tax		(5.77)	(86.43)
Earlier years© tax		(13.15)	(5.49)
Profit/(loss) for the year		213.03	2,174.20
Earnings per equity share par value of Re. 1/- each. (Refer Note No.- 29).			
Before Exceptional item			
Basic/Diluted		(0.07)	2.31
After Exceptional item			
Basic/Diluted		0.22	2.24
Summary of Significant accounting policies	2.1		
The accompanying notes form an integral part of financial statement			

Per our report of even date attached

For and on behalf of Board

for S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No 00756N

HARISH GUPTA
Partner
Membership No.98336

Place: Dahej
Dated: 14.05.2013

SHAILESH KHAITAN
(Chairman & Managing Director)

R.S. VIJAYVARGIYA
(President & Secretary)

J.L. JAJOO
(Whole Time Director)

Dr. P. Goyal
Vijay Gupta
Balmukund Dakhera
(Directors)

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Cash Flow Statement for the year ended 31st March, 2013

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Cash flow from Operating Activities :		
Profit before Tax	199.14	3,051.89
Non cash adjustment to reconcile profit before tax to net cash flow :		
Depreciation / Amortization	732.14	731.62
Balances Written Back	(66.06)	(9.90)
Loss / (Profit) on sale of Fixed Assets	2.51	4.34
Foreign Exchange Loss (Net)	860.35	910.94
Provision for Non Cash Expenses / Sundry Balance Written off	(39.30)	95.64
Interest expense	2,555.60	2,609.26
Interest income	(298.19)	(322.12)
Operating profit before working capital changes	3,946.19	7,071.68
Movements in Working Capital		
Increase / (Decrease) in trade & Other payables	(7,688.87)	6,337.44
Decrease / (Increase) in Trade receivables	(1,136.51)	(3,438.02)
Decrease / (Increase) in Inventories	(1,701.62)	(1,588.64)
Decrease / (Increase) in short term loans and advances	(341.40)	250.23
Decrease / (Increase) in other current assets / cash and bank	2,732.83	(7,612.92)
Increase / (Decrease) in deferred tax	(5.77)	(86.43)
Cash generated from / (used in) operations	(4,195.15)	933.34
Less : Direct taxes paid (net of refunds)	180.85	1,462.30
Net cash flow from / (used in) operating activities (A)	(4,376.00)	(528.96)
Cash flow from Investing activities :		
Purchase of Fixed assets including intangible assets,	(35.93)	(645.75)
Capital Work in Progress	(1,910.72)	(314.11)
Intangible Assets under Development	(11.12)	(41.83)
Proceeds from sale of Fixed assets	0.48	3.96
Proceeds / (Payment) of Long term loans & advances	78.96	(32.00)
Proceeds from sale of Non current Investments	-	-
Interest received	212.07	302.63
Net cash flow from / (used in) Investing activities (B)	(1,666.26)	(727.09)
Cash flow from Financing Activities :		
Proceeds from long term borrowings	366.94	2,318.00
Repayments of long term borrowings	(1,211.62)	(1,418.34)
Proceeds from short term borrowings	10,492.51	3,968.35
Interest paid	(2,537.83)	(2,585.88)
Dividend paid on equity shares	(193.20)	(229.91)
Tax on equity dividend paid	(37.76)	(37.76)
Effect of Foreign Exchange Gain / (Loss)	(860.35)	(910.94)
Net cash flow from / (used in) in financing activities (C)	6,018.70	1,103.51
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	(23.56)	(152.54)
Cash and cash equivalent at the beginning of the year	107.44	259.99
Cash and cash equivalent at the end of the year	83.88	107.44
Components of cash and cash equivalent		
Cash on hand	4.05	8.26
Cheques / drafts on hand	-	-
With Bank - on current account	34.22	58.34
unpaid dividend accounts *	45.61	40.85
Total cash and cash equivalent	83.88	107.45

* The company can utilize these balances only toward settlement of the respective unpaid dividend liability.

Per our report of even date attached

for **S.S. Kothari Mehta & Co.**
Chartered Accountants
Firm Regn. No 00756N

HARISH GUPTA
Partner
Membership No.98336

Place: **Dahej**
Dated: **14.05.2013**

SHAILESH KHAITAN
(Chairman & Managing Director)

R.S. VIJAYVARGIYA
(President & Secretary)

J.L. JAJOO
(Whole Time Director)

Dr. P. Goyal
Vijay Gupta
Balmukund Dakhera
(Directors)



Notes to financial statements for the year ended 31st March, 2013

1. Corporate Information

Khaitan Chemicals & Fertilizers Ltd. (the Company) is a public Company domicile in India and incorporated under the provisions of Companies Act, 1956. Its shares are listed on the Bombay Stock Exchange Ltd. (BSE), Mumbai. The Company is engaged in the manufacturing and selling of Single Super Phosphate and Sulphuric Acid, Processing of Oil Seed (mainly Soybean) and crude edible oil, selling of De-oiled Cake and Crude/Refined Oil & Generation and selling of Wind Power.

2. Basis of preparation of financial statements

The financial statements of the Company have been prepared to comply in all material respects with the notified accounting standards by the Companies (Accounting Standard) Rule, 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.

2.1 Summary of significant accounting policies:

a) Use of Estimates

The preparation of financial statements is 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/materialized.

b) 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 on 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.

c) Government Grants and Subsidies

Grants and Capital subsidy from the government is recognized on receipt basis with the reasonable assumption that the Company will comply with conditions attached to them and such amount is credited to capital reserves. Further, in accordance with the guidelines issued by ICAI, proportionate amount to the extent of depreciation charged, is being transferred to surplus in the statement of profit and loss in case of grant received in relation to acquisition of any assets.

d) Excise Duty

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

e) 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 recognized in revenue. Gratuity and Leave encashment liabilities are funded and administered through Group Gratuity Scheme with Life Insurance Corporation of India.

f) 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.

**Notes to financial statements for the year ended 31st March, 2013****g) Tangible Fixed Assets**

Fixed assets (including capital work in progress) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the assets to its working condition for the intended use. Any trade discounts, rebates & cenvat availed are deducted in arriving at the purchase price. Gains or losses arising from de-recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the assets is derecognized.

Depreciation on fixed assets is calculated on straight-line method the rates and manner as prescribed under the Schedule XIV of the Companies Act, 1956.

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

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

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

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

h) Intangible Assets

Intangible Assets acquired separately are measured on initial recognized at cost. Intangible Assets are amortized on straight-line basis over the estimated useful economic life not exceeding 10 years. The Intangible Assets are assessed for impairment whenever there is an indication that the Intangible Assets impaired.

Gains or losses arising from de-recognition of intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the assets is derecognized.

i) Impairment of tangible and intangible assets

The carrying amount 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 recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount and such 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 to the extent of previously recognized impairment losses.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss.

j) Inventories

Inventories are valued at the lower of cost and estimated realisable value. However material and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated/used are expected to be sold at or above cost. The cost of inventories is generally arrived at on the following basis:

Raw Material	Quarterly weighted average method for Fertilizer Division and FIFO method for Soya 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.

k) Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments and are stated at the lower of cost and fair value on individual investment basis. All other investments are classified as non-current/long term investments and stated at cost less provision for diminution in value, other than temporary. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to statement of profit and loss.



Notes to financial statements for the year ended 31st March, 2013

l) Foreign Currency Transactions

- 1.) Foreign Currency Transactions are recorded by applying the exchange rate prevailing on the date of transaction.
- 2.) 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.
- 3.) 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.
- 4.) Gain or loss arising out of translation/conversion and on settlement is taken credit for or charged to the statement of profit and loss.

m) 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 recognized only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognized 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.

n) 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.

o) 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.

p) Provisions and Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized 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.

q) Cash and Cash Equivalents and Cash Flow Statements

Cash and cash equivalents for the purpose of cash flow statements comprises cash at bank and in hand and short term investments with an original maturity of 3 months or less.

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard (AS) 3 on 'Cash Flow Statements'.

r) Derivatives Instruments

In accordance with the ICAI announcement, derivative contracts, other than foreign currency forward contracts covered under AS 11, are marked to market on a portfolio basis, and the net loss, if any, after considering the offsetting effect of gain on the underlying hedged item, is charged to the statement of profit and loss. Net gain, if any, after considering the offsetting effects of loss on the underlying hedged item, is ignored.

s) Segment Reporting

The Company is organized into two primary business segments mainly Fertilizer and Chemicals & Soya, based on nature of products.

The management and administration are centralized and considered as part of 'Fertilizer & Chemicals' segment, being major activities.

Unallocated items include general corporate income, expense, assets and liabilities items which are not allocated to any business segment.

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as whole.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

	Rs. in Lacs	
	As at 31.03.2013	As at 31.03.2012
3. Share capital		
Equity Share Capital		
Authorised		
22,00,00,000 shares of par value of Re. 1/- each (Previous year 22,00,00,000 shares of par value of Re.1/- each)	<u>2,200.00</u>	<u>2,200.00</u>
Issued		
9,71,24,420 shares of par value of Re.1/- each (Previous year 9,71,24,420 shares of par value of Re.1/- each)	<u>971.24</u>	<u>971.24</u>
Subscribed And Fully Paid-Up		
9,69,89,200 shares of par value of Re.1/- each (Previous year 9,69,89,200 shares of par value of Re.1/- each)	<u>969.89</u>	<u>969.89</u>

Equity Shares

a) Reconciliation of the shares outstanding at the beginning and at the end of reporting period.

	As at 31.03.2013		As At 31.03.2012	
	No of shares	Rs. in lacs	No of shares	Rs. in lacs
At the beginning of the year	96989200	969.89	96989200	969.89
Issued during the year	-	-	-	-
Outstanding at the end of the year	96989200	969.89	96989200	969.89

b) The equity shares of the Company have rights and restrictions as prescribed under law, in particular the Companies Act 1956.

c) Details of the Shareholders holding more than 5% shares of the Company:

	As at 31.03.2013		As At 31.03.2012	
	No. of shares	% of shares	No. of shares	% of shares
Shradha Projects Ltd.	4,57,63,640	47.18	4,57,63,640	47.18
The Majestic Packaging Co. Pvt. Ltd.	2,20,49,310	22.73	2,20,49,310	22.73

Rs. in Lacs

4. Reserves and Surplus

	As at 31.03.2013	As at 31.03.2012
Capital Reserve		
As per last Balance Sheet	1,558.17	1,560.21
Less: Transfer to Surplus Balance in the statement of Profit & Loss	<u>2.04</u>	<u>2.04</u>
	<u>1,556.13</u>	<u>1,558.17</u>
Securities Premium Account	<u>2,152.58</u>	<u>2,152.58</u>
General Reserve		
As per last Balance Sheet	2,938.54	1,938.54
Add : Transfer from Surplus	<u>25.00</u>	<u>1,000.00</u>
	<u>2,963.54</u>	<u>2,938.54</u>

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

	Rs. in Lacs	
	As at 31.03.2013	As at 31.03.2012
Surplus/(deficit) in the statement of Profit & Loss		
As per last balance sheet	4,937.45	4,031.74
Add: Profit for the year	213.03	2,174.20
Add: Transfer from Capital Reserve	2.04	2.04
Less: Appropriations-		
Transfer to general reserve	25.00	1,000.00
Proposed dividend	48.49	232.77
Tax on proposed dividend	8.24	37.76
	5,070.78	4,937.45
Total Reserve and Surplus	11,743.03	11,586.74

Note:

The Company has proposed final dividend for the year 2012-13 @ Re. 0.05 per equity share of Re. 1/- each (previous year Re.0.24 per equity share).

5. Long Term Borrowings

	Rs. in Lacs			
	Non-Current		Current Maturities	
	As at 31.03.2013	31.03.2012	As at 31.03.2013	31.03.2012
Term Loans :				
- From Banks :				
Indian Rupee Loan from Banks (Secured)	987.35	1884.11	1263.69	1239.15
- From Other Parties :				
Loans and advances from related parties (Un-Secured) :	500.00	500.00	-	-
	1,487.35	2,384.11	1,263.69	1,239.15
The above amount includes :				
Secured Borrowings	987.35	1,884.11	1,263.69	1,239.15
Unsecured Borrowings	500.00	500.00	-	-
Amount disclosed under the head "Other Current Liabilities" Refer Note No.8	-	-	(1,263.69)	(1,239.15)
Net Amount	1,487.35	2,384.11	-	-

(i) Rupee Term Loan of Rs.366.94 Lacs (Sanctioned Rs. 2250 Lacs) from State Bank of India, Bank is primarily secured by way of first charge on entire immovable assets and moveable fixed assets of the Company, both present and future on pari- passu basis with existing charge holders and repayable in 17 installments comprising of 11 installments of Rs.150 Lacs each and 6 Installments of Rs.100 Lacs each ending on 15th September, 2017.

(ii) Rupee Term Loan of Rs.600 Lacs (Sanctioned Rs.1000 Lacs) from IDBI Bank Ltd. Bank is primarily secured by way of first charge on entire immovable assets and moveable fixed assets of the Company, both present and future on pari- passu basis with existing charge holders and repayable in 20 equal Quarterly Installments of Rs.50 Lacs each ending on 1st January, 2016.

(iii) Rupee Term Loan of Rs.700 Lacs (Sanctioned Rs.1200 Lacs) from IDBI Bank Ltd. is primarily secured by way of first charge on entire immovable assets and moveable fixed assets of the Company, both present and future on pari- passu basis with existing charge holders and repayable in 12 equal Quarterly Installments of Rs.100 Lacs each ending on 1st October, 2015.

(iv) Rupee Term Loan of Rs.533.32 Lacs (sanctioned Rs 800 Lacs) from Axis Bank Ltd., Bank is primarily secured by way of first charge on the entire fixed assets of the Company, both present and future on pari-passu basis with existing charge holders and and repayable in 12 Quarterly installments of Rs. 66.67 lacs each ending on 30th March, 2015.

All the above loans are collaterally secured and through second charge by way of hypothecation on the entire current assets of the company on pari-passu basis with existing charge holder. These loans are irrevocably and unconditionally guaranteed by Chairman & Managing Director Mr. Shailesh Khaitan.

(v) Rupee Term Loan of Rs. 38.37 Lacs (sanctioned Rs.115.59 Lacs) and Rs.12.39 Lacs (sanctioned Rs.18 Lacs) have been availed from Kotak Mahindra Bank and HDFC Bank respectively with tenure of 60 months ending on 1st August, 2014 and 7th May, 2016 respectively. The loan is secured by the hypothecation of the car.

(vi) Unsecured Loan & Advances of Rs.500 Lacs has been procured from various parties including related party viz. Shradha Projects Ltd. & Aarti Marketing Pvt. Ltd. as promoters fund infusion towards Rajnandgaon Project repayable on or after 01.01.2016.

There is no continuing default as on the balance sheet date in repayment of above loans and interest.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

6. Deferred Tax Liabilities (Net)

	Rs. in Lacs	
	As at 31.03.2013	As at 31.03.2012
Gross Deferred Tax Liabilities:		
a) Depreciation /Amortization	1,367.48	1,362.13
b) Others	7.78	9.56
	<u>1,375.26</u>	<u>1,371.69</u>
Gross Deferred tax assets:		
a) Provisions for doubtful debts\Non-moving Items	11.39	12.01
b) Expense allowed on payment basis	17.49	7.53
	<u>28.88</u>	<u>19.54</u>
Net Deferred Tax Liabilities	<u>1,346.38</u>	<u>1,352.15</u>

NOTE :

- i. The net increase / (decrease) during the year in the deferred tax liability of Rs.(5.77) lacs, previous year decrease Rs. (86.43) lacs has been debited /(credited) to Statement of Profit & Loss.
- ii. Based on the past performance and current plans, the Company expects continue to generate taxable income which will enable it to realise MAT credit entitlement.

7. Short Term Borrowings

	Rs. in Lacs	
	As at 31.03.2013	As at 31.03.2012
Secured		
From Banks:-		
- Cash Credits / Working Capital Demand Loans	12693.04	14,041.88
- Buyer's Credit	16137.13	4466.28
Unsecured		
- IDBI Vendor Finance	222.58	-
	<u>29,052.75</u>	<u>18,508.16</u>

- i. Cash Credit/Working Capital demand loan & Buyer's Credit from Banks is secured by first hypothecation charge on the Company's entire stocks comprising raw materials, stocks in transit, stocks in process, finished goods, consumable stores & spares and receivables on pari-passu basis among consortium bankers. Borrowings are further secured by pledge of 8 lacs shares of the Company with face value of Re.1/- per share held by Chairman & Managing Director Mr. Shailesh Khaitan .
- ii. All short term bank borrowings are personally guaranteed by Chairman & Managing Director Mr. Shailesh Khaitan.
- iii. IDBI Vendor Finance loan in the nature of Discounting of Bill of Exchange drawn/accepted by the Corporates of Rs. 222.57 Lacs (sanctioned Rs.500 Lacs). Loan is secured primarily by accepted bills of exchange.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

8. Trade Payables & Other Current Liabilities

	Non-Current Liabilities		Current Liabilities	
	As at		As at	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Trade Payables				
For Goods and Services (including acceptance)	-	-	2,642.14	10,024.38
Total	-	-	2,642.14	10,024.38
Other Current Liabilities				
Current maturities of long term debts (Refer Note No. 5)	-	-	1,263.69	1,239.15
Interest accrued but not due on borrowings	-	-	59.88	31.52
Interest accrued & due on borrowings	-	-	26.67	37.26
Unpaid Dividends	-	-	45.61	40.85
Other Payable:-				
Book overdraft	-	-	-	184.09
Advances from customers	-	-	140.00	123.42
Payable for Capital Expenditure	-	-	41.85	9.75
Payable to Employees	-	-	97.78	107.82
Payable to Service Provider	-	-	103.25	240.85
Security Deposits	59.09	32.19	-	-
Tax deducted at source Payable	-	-	15.69	24.33
Other Statutory dues	-	-	128.08	272.68
	59.09	32.19	1,922.50	2,311.72

Note:

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

A. Trade payable includes (i) Rs.0.33 lacs (previous year Rs. 1.97 lacs) due to micro and small enterprises registered under the Micro, Small and Medium Enterprises Development Act, 2006 (MSME) and (ii) Rs.2641.81 lacs (previous year Rs.10022.41 lacs) due to other parties.

B. No interest is paid /payable during the year to any enterprise registered under the MSME.

C. The above information has been determined to the extent such parties could be identified on the basis of the information available with the Company regarding the status of supplies under the MSME.

9. Provisions

	Long term		Short term	
	As at		As at	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Provision for employee benefits (Refer Note No.26)				
- Provision for Gratuity	26.72	3.54	-	-
- Provision for Leave Benefits	8.17	4.46	-	-
Other Provisions				
Provision for Taxation	-	-	-	969.61
Less: Set off against taxes paid	-	-	-	881.69
	34.89	8.00	-	87.92
Provision for proposed dividend on equity shares	-	-	48.49	232.77
Provision for tax on proposed dividend	-	-	8.24	37.76
Provision for derivatives instruments	-	-	105.59	56.34
	34.89	8.00	162.32	414.79

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

10. FIXED ASSETS

(Rs. in lacs)

DESCRIPTION OF ASSETS	-----GROSS BLOCK-----			-----DEPRECIATION / AMORTISATION-----				----NET BLOCK----		
	As at 31.3.2012	Additions	Adjustment/ Deductions	As at 31.3.2013	Upto 31.3.2012	Sale/Adjustment	During the year	Upto 31.3.2013	As at 31.3.2013	As at 31.3.2012
Tangible Assets										
Land Free hold	736.60	9.45	-	746.05	-	-	-	-	746.05	736.60
Lease hold Land	417.12	-	-	417.12	19.98	-	4.19	24.17	392.95	397.14
Building	3,134.88	118.10	-	3,252.98	973.16	-	87.19	1,060.35	2,192.63	2,161.72
Plant and Equipment	13,701.63	687.80	14.78	14,374.65	8,284.92	13.33	590.46	8,862.05	5,512.60	5,416.71
Furniture & Fixtures	152.71	5.20	44.22	113.69	84.63	44.13	6.95	47.45	66.24	68.08
Vehicles	356.64	-	6.30	350.34	127.33	6.30	31.90	152.93	197.41	229.31
Office Equipments	100.78	3.70	16.06	88.42	53.63	14.60	4.05	43.08	45.34	47.15
Computers	96.79	10.98	26.22	81.55	55.00	26.22	10.69	39.47	42.08	41.79
Total	18,697.15	835.23	107.58	19,424.80	9,598.65	104.58	735.43	10,229.50	9,195.30	9,098.50
Previous year	18,055.02	655.50	13.37	18,697.15	8,868.29	5.08	735.44	9,598.65	9,098.50	9,186.73
Intangible Assets										
Software	-	8.07	-	8.07	-	-	0.62	0.62	7.45	-
Total	-	8.07	-	8.07	-	-	0.62	0.62	7.45	-
Previous year	-	-	-	-	-	-	-	-	-	-
Capital Work in Progress										
Capital Work in Progress	428.59	1,910.73	802.26	1,537.06	-	-	-	-	1,537.06	428.59
Total	428.59	1,910.73	802.26	1,537.06	-	-	-	-	1,537.06	428.59
Previous year	124.25	314.11	9.77	428.59	-	-	-	-	428.59	156.93
Intangible assets under Development	41.83	11.12	-	52.95	-	-	-	-	52.95	-
Total	41.83	11.12	-	52.95	-	-	-	-	52.95	-
Previous year	-	41.83	-	41.83	-	-	-	-	41.83	-

NOTES:

- a) 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.
- b) The Company has treated its Sulphuric Acid Plant, Soya Oil Plant and Turbo Generator as continuous process plant and depreciation charged accordingly.
- d) Vehicles include motor cars taken on hire purchase of Rs 50.77 Lacs (previous year Rs 22.54 Lacs).
- e) Amortisation of Leasehold Land includes Rs 3.91 Lacs (Previous year Rs.3.82 Lacs), included in capital work in progress as pre-operative expenses in respect of Dahej Project.
- f) Lease hold Land includes Rs 377.50 Lacs (Previous year Rs 377.50 Lacs) in respect of which lease deeds are pending execution.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

11 Non-Current Investments

	As at 31.03.2013	Rs. in Lacs As at 31.03.2012
Non-Trade Investments		
Investment in equity instrument (unquoted)		
National Board of Trade Limited (16100 Shares (Previous year 16100) of fully equity share of Rs 10/- each)	0.01	0.01
Captain Vinimay Pvt. Ltd., (94800 shares (Previous year 94800) fully paid equity shares of Rs 10/-each)	9.48	9.48
	9.49	9.49
Aggregate amount of unquoted investment	9.49	9.49

12 Loans and Advances

	Non-Current As at		Current As at		
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	Rs. in Lacs
Loans and Advances <i>(Unsecured, considered good, unless otherwise stated)</i>					
Capital Advances	126.05	33.42	-	-	
Security Deposits	196.89	173.01	40.92	50.71	
Other Loan & advances:-					
Loan/Advances to Employees	4.28	10.21	14.03	23.12	
Advance to Suppliers & Contractors	-	-	620.19	395.00	
Vat receivables	-	146.80	78.47	44.98	
Prepaid Expenses	-	-	171.86	38.08	
Taxes/Duties deposited under protest	14.12	14.12	-	-	
Balances with Statutory/Govt. Authorities	-	-	18.53	62.56	
Deposit with Original maturity for more than 12 months (Refer Note No.-16)	0.69	0.69	-	-	
Loan to Body Corporates	55.62	98.36	377.46	37.96	
Margin Deposits	-	-	15.00	390.00	
Advance Tax/Tax Deducted at source(Net of provision)	-	-	89.18	-	
Other Advances recoverable in cash or in kind	-	-	61.73	20.68	
Less: Provision for bad & doubtful advances	-	-	3.20	4.82	
	397.65	476.61	1,484.17	1,058.27	

13 Other Current Assets

	Non-Current As at		Current As at		
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	Rs. in Lacs
Subsidy receivable (Refer Note No - 36)	142.87	142.87	9,380.43	10,882.61	
Less: Subsidy payable to Bank of India on realisation	142.87	142.87	-	-	
	-	-	9380.43	10882.61	
Interest receivable	-	-	155.88	71.26	
MAT credit entitlement	-	-	34.81	-	
	-	-	9,571.12	10,953.87	

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

14 Inventories

	Rs. in Lacs	
	As at 31.03.2013	As at 31.03.2012
Inventories (valued at lower of cost or net realisable value)		
Raw Material	4,850.58	5,002.98
Raw Material in Transit	6,157.96	2,566.94
Work in Progress(Oil)	6.88	13.09
Finished Goods	6,258.53	7,943.44
Stores and Spares	1,274.87	1,320.75
	18,548.82	16,847.20

15 Trade Receivables

	Rs. in Lacs			
	Non-Current		Current	
	As at		As at	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Outstanding for a period exceeding six months from the date they are due for payment				
Considered good (Unsecured)	-	-	33.08	50.49
Doubtful	-	-	24.40	29.55
	-	-	57.48	80.04
Less: Provision for doubtful receivables	-	-	24.40	29.55
	-	-	33.08	50.49
Other receivables (Unsecured considered good)	-	-	5,627.58	4,478.81
	-	-	5,660.66	4,529.30

16 Cash and Bank Balances

	Non-Current		Current	
	As at		As at	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
I) Cash and Cash Equivalents				
(a) Balances with Banks :				
(i) In Current Account	-	-	34.22	58.34
(ii) In Unpaid Dividend Account	-	-	45.61	40.85
(b) Cheques , drafts on hand	-	-	-	-
(c) Cash on Hand	-	-	4.05	8.26
	-	-	83.88	107.45
II) Other Bank Balances				
(i) Margin Money Deposits	-	-	2,871.79	4,041.02
(ii) Deposit with Original maturity for more then 12 months	0.69	0.69	-	-
	0.69	0.69	2,871.79	4,041.02
Amount disclosed under Non - Current Assets (Refer Note-12)	(0.69)	(0.69)	-	-
Total	-	-	2,955.67	4,148.47

Margin Money Deposits with a carrying amount of Rs.2871.79 lacs (Previous year Rs.4041.02 lacs) are subject to first charge to secure the Company's Buyers' credit & Bank Guarantees.

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

17 Revenue from Operations

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Sales of products		
Finished goods	45,471.14	64,559.77
Traded goods	233.00	-
Other operating revenue	267.75	298.77
Revenue from operations	45,971.89	64,858.54
Less: Excise duty	471.21	416.17
Revenue from operations (net)	45,500.68	64,442.37
<u>Details of products sold</u>		
<u>Finished goods</u>		
Single Super Phosphate (includes Subsidy Income of Rs 14796.20 lacs previous year Rs.27844.07 lacs).	38,236.98	46,764.26
Sulphuric Acid	2,017.00	2,189.38
Refined Oil	3,502.05	7,495.00
Soya De-Oiled Cake	1,537.58	7,662.76
Soya Solvent oil	-	315.12
Sale of Power	83.57	73.37
Oleum 23% and 65%	40.16	26.49
Liquid So ₃	53.80	33.39
	45,471.14	64,559.77
<u>Traded goods sold</u>		
Soya seed	233.00	-
	233.00	-
<u>Other Operating Revenue</u>		
Revenue from NCDEX (Net)	(330.16)	53.66
NCDEX Brokerage	3.59	6.20
Freight Subsidy	402.37	-
Sale of By-product & Process waste	101.73	132.14
Scrap Sales	90.22	106.77
	267.75	298.77

18 Other Income

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Interest Income on		
Bank Deposits	235.15	155.46
Electricity Deposits	6.86	4.34
Others	56.18	162.32
	298.19	322.12
Other non-operating income		
Miscellaneous Receipt	9.22	12.96
Balances written back	67.68	9.90
	76.90	22.86
Total	375.09	344.98

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

19 Cost of Raw Material Consumed

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Opening Stock	5002.98	3246.85
Add: Purchases including related expenses upto the factory site (net of claim)	31,023.79	47,141.70
Less: Closing Stock	4850.58	5002.98
	31176.19	45385.57

Details of Inventories - Raw Material

	Rs. in Lacs	
	As at 31.03.2013	As at 31.03.2012
Rock Phosphate (Indigenous)	664.11	1,845.20
Rock Phosphate (Imported)	3705.88	2,182.25
Sulphur (Fert)	445.82	591.81
Sulphur (Non Fert)	10.42	279.10
Sulphuric Acid/Spent Acid	9.64	83.31
Solvent Oil	-	9.56
Others	14.71	11.75
	4,850.58	5,002.98

Details of raw material consumed

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Rock Phosphate (Indigenous)	8111.95	8366.00
Rock Phosphate (Imported)	15911.47	15992.47
Sulphur (Fert)	3043.64	5003.02
Sulphur (Non Fert)	1180.26	1747.22
Sulphuric Acid/Spent Acid	1305.19	2406.97
Crude Edible Oil	2189.12	1330.55
Oil Seeds	1411.64	10528.94
Others	22.92	10.40
	31,176.19	45,385.57

20 (Increase)/decrease in Inventories

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Inventories at the end of the year		
Finished goods	6,258.53	7,943.44
Work in progress	6.88	13.09
	6,265.41	7,956.53
Inventories at the beginning of the year		
Finished goods	7,943.44	8,774.36
Work in progress	13.09	21.26
	7,956.53	8,795.62
	1,691.12	839.09

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

Details of Inventory

	Rs. in Lacs	
	As at 31.03.2013	As at 31.03.2012
Finished Goods		
Single super phosphate	5,858.78	6,932.53
Sulphuric acid	189.43	297.26
Soya solvent oil	17.25	16.73
De-oiled cake	-	141.19
Soya refined oil	184.34	538.33
Others	8.73	17.40
	6,258.53	7,943.44
Work in progress		
Oil	6.88	13.09
	6.88	13.09

21 Employee Benefit Expenses

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Salaries, wages and bonus	852.22	848.77
Contribution to provident and other funds (Refer Note No.26)	79.37	78.74
Staff Welfare	29.77	35.78
	961.36	963.29

22 Finance Costs

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Interest	2,263.08	2,276.40
Other Borrowing Costs	292.52	332.86
	2,555.60	2,609.26

23 Other Expenses

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Consumption of stores & spare parts	1,303.51	2,219.33
Packing Material consumed	1,269.65	1,400.02
Power & Fuel	746.82	885.06
Communication Expenses	34.16	39.33
Rent	41.93	40.24
Insurance	34.88	35.80
Legal & Professional charges	34.18	35.33
Rates & Taxes	15.14	33.13
Repair & Maintenance:		
Plant & Machinery	127.67	181.15
Building	15.28	11.60
Others	53.77	77.61

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

Travelling & Conveyance	151.53	135.89
Charity & Donation	1.54	2.62
Payment to Auditors	17.28	10.84
Excise Duty On Variation of Finished Goods	(16.21)	33.90
Other Manufacturing Expenses	844.19	877.05
Provision for Doubtful Debts & Advance	-	88.14
Loss on Sale of Fixed Assets / Assets written off (Net)	2.51	4.34
Freight Outward	2,877.13	3,633.94
Loading & Unloading	28.63	34.15
Other selling expenses	54.26	158.70
Foreign Exchange Fluctuation (including MTM loss)	860.35	910.94
Bank Charges	7.17	10.61
Miscellaneous Expenses	235.14	251.85
	8,740.51	11,111.57

Payment to Auditor (including service tax)

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
As auditor:		
Audit Fees	4.96	4.96
Limited Review	1.45	0.91
Certification fees	7.52	3.52
Reimbursement of Expenses	3.35	1.45
	17.28	10.84

24 Exceptional Items

	Rs. in Lacs	
	Year ended 31.03.2013	Year ended 31.03.2012
Cess on Rock Phosphate	(409.78)	-
Workmen Compensation	-	95.06
	(409.78)	95.06

Note: Exceptional item for the quarter/year includes Rs. 409.78 lacs for Cess on Rock Phosphate claimed by RSMM not required as per decision of Hon'ble High Court of Rajasthan. However, Appeal filed by RSMM is pending with Hon'ble Supreme Court.

25 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	31.03.2013	31.03.2012
Expenses		
(a) Storage Charges	-	2.44
(b) Professional Tax	0.20	-
Total	0.20	2.44

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

26 Disclosure as per Accounting Standard - 15 on Employee Benefits

(i) Defined Benefit Plan		Rs. in Lacs			
S No	Particulars	Gratuity (Funded)		Leave Encashment (Funded)	
		2012-13	2011-12	2012-13	2011-12
I	Change in Defined Benefit Obligation				
	Opening defined benefit obligation	167.30	144.14	47.59	39.56
	Interest Cost	13.35	12.61	3.80	3.46
	Current Service Cost	15.61	13.02	5.36	5.01
	Benefits paid (if any)	(5.54)	(4.15)	-	-
	Actuarial (gain)/Loss on obligation	11.22	1.68	(1.38)	(0.44)
	Closing defined benefit obligation	201.94	167.30	55.37	47.59
II	Change in Fair Value of Plan Asset				
	Opening fair value of plan assets	163.76	145.30	43.13	34.09
	Expected return on plan assets	14.94	13.49	4.18	3.41
	Contributions	2.05	9.13	0.09	5.63
	Benefits paid (if any)	(5.54)	(4.15)	-	-
	Actuarial (gain)/loss on Plan assets	-	(0.01)	(0.20)	-
	Closing fair value of plan assets	175.22	163.76	47.20	43.13
III	Actual Return on Plan Assets				
	Expected return on plan assets	14.94	13.49	4.18	3.41
	Actuarial (gain)/loss on Plan assets	-	-	-	-
	Actual Return on Plan Assets	14.94	13.49	4.18	3.41
IV	Amount recognised in the Balance Sheet				
	Closing defined benefit obligation	201.94	167.30	55.37	47.59
	Closing fair value of plan assets	175.22	163.76	47.20	43.13
	Net(Asset)/Liability recognised in the Balance Sheet	26.72	3.54	8.17	4.46
V	Expenses recognised in the Profit and Loss Account				
	Interest Cost	13.35	12.61	3.80	3.46
	Current Service Cost	15.61	13.02	5.36	5.01
	Expected return on plan assets	(15.68)	(13.49)	(4.18)	(3.41)
	Actuarial (gain)/Loss	11.95	1.68	(1.18)	(0.44)
	Expenses recognised in Personnel Cost	25.23	13.83	3.80	4.62
VI	Balance Sheet Reconciliation				
	Opening net Liability	3.54	(1.16)	4.46	5.47
	Expenses (as above)	25.23	13.83	3.80	4.62
	Employer@s contribution	2.05	9.13	0.09	0.63
	Amount recognised in the Balance Sheet	26.72	3.54	8.17	4.46
VII	Actuarial Assumption used for the year				
	Discount Rate	8.00%	8.75%	8.00%	8.75%
	Rate of Return on Plan Assets	9.25%	8.73%	9.25%	8.84%
	Expected Salary Growth Rate	5.00%	5.00%	5.00%	5.00%
	Attrition Rate	2.00%	2.00%	2.00%	2.00%

Other Assumptions:

- a) 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
- b) 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.
- c) 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 lacs.
- ii) Defined Contribution Plans -charge to the Profit and Loss Account based on contribution.

		Rs. in Lacs	
S No	Particulars	2012-13	2011-12
i	Superannuation	7.55	9.72
ii	Provident Fund	32.53	27.92
		40.08	37.64

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

27 Segment Information for the year ended 31st March, 2013 as required by Accounting Standard - 17 Segment Reporting

- (a) The Company is organized into three primary business segments mainly :
- i. Fertilizers and Chemicals
 - ii. Soya
 - iii. Others
- (b) Segments have been identified and reported taking in to account the nature of products and services, the differing risk and returns, and the internal reporting system

Particulars	2012-2013				2011-2012			
	Fertilizers and	Soya	Others	Total	Fertilizers and	Soya	Others	Total
Revenue (net)								
External Sales/ Revenue	40,707.10	5,085.11	83.56	45,875.77	49,045.75	15,668.23	73.37	64,787.35
Results								
Segment Results	2,520.40	(212.59)	37.15	2,344.96	5,071.89	650.19	34.13	5,756.21
Unallocated Corporate Expenses (Net)				-				-
Operating Profits				2,344.96				5,756.21
Interest Expenses (Net)				2,555.60				2,609.26
Profit before Exceptional Items and Taxation				(210.64)				3,146.94
Exceptional items				(409.78)				95.06
Tax Expenses				(55.74)				877.69
Profit After Tax				143.41				2,174.20
Other Information								
Segment assets	45,263.73	3,517.20	402.87	49,183.80	41,130.60	5,769.41	435.38	47,335.39
Unallocated corporate assets				236.55				256.75
Total Assets				49,420.35				47,592.13
Segment liabilities	36,265.70	368.57	-	36,634.27	34,481.26	451.86	-	34,933.12
Unallocated corporate liabilities				73.15				102.37
Total Liabilities				36,707.43				35,035.50
Capital Expenditure	824.75	18.54	-	843.30	962.20	1.76	-	963.96
Unallocated Corporate Capital Expenditure	-	-	-	-				37.70
Total Capital Expenditure				843.30				1,001.67
Depreciation / Amortisation	481.42	218.74	-	700.16	448.48	219.30	32.51	700.29
Unallocated Corporate Depreciation				31.98				31.34
Total Depreciation / Amortisation				732.14				731.62
Non cash Expenditure other than Depreciation/ Amortisation	(33.27)	(31.90)		(65.17)	90.95	(0.74)	-	90.21
Unallocated Corporate Non Cash Expenses other than Depreciation / Amortisation				-				-
Total non cash expenditure other than Depreciation/ Amortisation				(65.17)				90.21

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

28 Disclosure as per Accounting Standard - 18 on Related Party Disclosures

Relationship:

(a) **Related Party where control exists :**

Shradha Project Limited

(b) **Key Management Person and their Relatives :**

(i) Shri Shailesh Khaitan

Chairman & Managing Director

(ii) Smt Swapna Khaitan

Wife of Chairman & Managing Director

(iii) Shri J.L. Jajoo

Whole Time Director

(iv) Shri R.S. Vijayvargiya

President & Secretary

(v) Ms. Monica Vijayvargiya

Daughter of President & Secretary

(c) **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) Aarti Marketing Private Limited

(iv) Shobhan Enterprises Private Limited

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

Name of Related Party	Nature of Transaction	31.03.2013	31.03.2012
Shobhan Enterprises Pvt Ltd.	Loan given	3,420.00	8,157.09
	Loan recovered	3,140.00	8,778.91
	Purchases	22.37	1,264.38
	Sales	194.38	1,457.41
	Interest on loan received	41.87	134.62
	Brokerage received	0.60	0.92
	Corporate guarantee	-	349.12
	Balance outstanding	317.68	-
	Debtors Outstanding	-	951.74
Shradha Projects Ltd.	Loan Taken	-	100.00
	Loan Repaid	-	100.00
	Rent paid	24.63	23.45
	Purchase of Land and Building	-	-
	Interest paid	12.00	19.79
	Dividend Paid	109.83	109.83
	Balance Outstanding	100.00	100.00
Shri Shailesh Khaitan	Remuneration	47.76	100.54
	Dividend Paid	8.59	8.59
	Balance outstanding	1.20	2.69
Smt. Swapana Khaitan	Dividend Paid	3.19	3.19
Shri J.L. Jajoo	Remuneration & Fees	12.00	5.68
Shri R.S. Vijayvargiya	Salary	21.53	26.40
Miss Monica Vijayvargiya	Salary	3.43	-
The Majestic Packaging Company Private Limited	Dividend Paid	52.92	52.92
Tribhuvan Properties Limited	Rent Paid	33.71	33.09
Aarti Marketing Private Limited	Brokerage Received	0.07	0.36
	Loan Re-paid	390.00	-
	Interest Paid	46.03	48.13
	Loan payable outstanding	10.00	400.00

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

29 Disclosure as per Accounting Standard - 20 on Earnings Per Share

Particulars	Rs. in Lacs	
	31.03.2013	31.03.2012
Net Profit (Loss) after exceptional items	213.03	2,174.20
Add: Exceptional Items (net of tax)	(276.83)	64.22
Net Profit (Loss) before exceptional items	(63.80)	2,238.42
Number of equity shares outstanding (Nos.)	96,989,200	96,989,200
Earning per share on profit after exceptional items (Basic/Diluted)	0.22	2.24
Earning per share on profit before exceptional items (Basic/Diluted)	(0.07)	2.31
Face value per share	1	1

30 Derivative instruments and unhedged foreign currency exposure

(a) Particulars of unhedged foreign currency exposure as at the reporting date

Particulars	31.03.2013		31.03.2012	
	Amount in Foreign currency	Amount in Rs. Lacs	Amount in Foreign currency	Amount in Rs. Lacs
Amount payable on account of Import of goods and services USD/INR	29526794.31	16043.23	21936305.74	11221.85

(b) Derivatives outstanding as at the balance sheet date

Particulars	31.03.2013		31.03.2012	
	Amount in Foreign currency	Amount in Rs. Lacs	Amount in Foreign currency	Amount in Rs. Lacs
Forward Exchange Contracts outstanding				
USD/INR (Purchase)	7,50,000	407.50	-	-
Cross Currency Interest Rate Swap (CCIRS)				
Notional amount 600 Lacs (Previous year Rs.800 Lacs)	12,55,492.78	682.16	16739990.37	856.35

31 Contingent Liabilities not provided for :

S.No. Particulars	Rs. in Lacs	
	31.03.2013	31.03.2012
a Sales Tax Demand (under appeal)	0.48	0.48
b Purchase Tax (under appeal)	63.38	63.38
c Royalty on Rock Phosphate claimed by RSMM	158.36	158.36
d Entry Tax	28.38	28.38
e Sales Trade Tax	1.00	1.00
f Excise Duty	21.87	17.79
g Income-Tax	19.34	7.58
h Cess on Rock Phosphate	409.78	-

32 Estimated amount of Capital Commitments (net of advances) not provided for 1191.80 1031.34

33 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.

34 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.

35 Other Current Assets include claims filed under Rajasthan Investment Promotion Scheme (RIPS), 2003 of Rs. 6.27 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).

KHAITAN CHEMICALS & FERTILIZERS LIMITED



Notes to financial statements for the year ended 31st March, 2013

36 The Company has not provided for Moping up of subsidy on raw materials of fertilizer as on 31.03.2011 in terms of Office Memorandum No. 23011/1/2010-MPR dated 11-07-2011 issued by the Ministry of Chemicals & Fertilizers, Govt. of India, being reconsidered vide their letter No 23011/1/2010-MPR(Pt) dated 22.08.2012 and decided not to effect recovery till a policy in this regard is formulated. This has strengthen the management's view for not providing the above liability.

37 **Capital Work in progress includes machinery, building under construction and the following pre-operative expenses pending allocation/capitalisation:**

Particulars	Rs. in Lacs	
	31.03.2013	31.03.2012
Opening Balance	161.21	63.60
Addition during the year		
a) Borrowing Cost-Interest	5.39	4.31
b) Other Borrowing Cost- Processing Charges	-	22.50
c) Security Services	3.72	-
d) Power charges	20.91	-
e) Salary and Wages	0.74	-
f) Water Connection Charges	-	65.15
g) Others (Net)	16.01	5.65
h) Process	11.25	-
	219.23	161.21

38 (a) Imported and Indigenous raw material, Components, Stores & Spares parts consumed

S.No. Particulars	2012-13		2011-12	
	% of total Consumption	Value Rs. in Lacs	% of total Consumption	Value Rs. in Lacs
i Raw materials :				
Imported	55.94%	17440.17	42.56%	19315.73
Indigenous	44.06%	13736.02	57.44%	26069.85
Total	100.00	31176.19	100.00	45385.58
ii Components, Stores & Spares parts				
Imported	-	-	-	-
Indigenous	100.00	2573.16	100.00	3619.35
Total	100.00	2573.16	100.00	3619.35

(b) Value of Imports calculated on CIF basis:

S.No. Particulars	Rs. in Lacs	
	2012-13	2011-12
i Raw Material [including Rs 1311.07 (Previous year Rs 625.07 lacs)purchased through other importers]	19,565.24	17,639.46
ii Components and Spare parts	-	-
iii Capital goods	-	9.65

(c) Expenditure in Foreign Currency:

S. No. Particulars	Rs. in Lacs	
	2012-13	2011-12
i Fees & Subscription	2.54	4.95
ii Interest on Foreign currency loan	174.19	58.33
	176.73	63.28

39 Previous year figures have been re-arranged and/or regrouped wherever considered necessary

40 The financial statements are presented Rs. in lacs except EPS and the share data.

Per our report of even date attached

For and on behalf of Board

for S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Regn. No 00756N

HARISH GUPTA
Partner
Membership No.98336
Place: Dahej
Dated: 14.05.2013

SHAILESH KHAITAN
(Chairman & Managing Director)

R.S. VIJAYVARGIYA
(President & Secretary)

J.L. JAJOO
(Whole Time Director)

Dr. P. Goyal
Vijay Gupta
Balmukund Dakhera
(Directors)

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 31st 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 Tuesday, 6th day of August, 2013 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.)

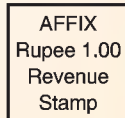
PROXI FORM

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 31st Annual General Meeting of the Company to be held on Friday, 6th day of August, 2013 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 2013.

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

No. of Shares held :



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,

