

Maharani

**PURE FRAGRANT
ORIGINAL BASMATI RICE**

FIRST EVER INDIAN COMPANY TO HAVE DEVELOPED RICE FOR DIABETIC PEOPLE



12th Annual Report 2005-2006



Chaman Lal Setia Exports Ltd.



Chaman Lal Setia Exports Ltd.

BOARD OF DIRECTORS

CHAMAN LAL SETIA

(Chairman Cum Managing Director)

VIJAY SETIA

(Whole Time Director)

RAJEEV SETIA

(Whole Time Director)

INDER DEV KUKKAR

(Director)

SUKARN SETIA

(Whole Time Director)

ANKIT SETIA

(Whole Time Director)

NARESH SUNEJA

(Director)

PARMOD KUMAR

(Director)

AMIT MALHOTRA

(Director)

RAGHAV PESHAWARIA

(Director)

REGISTERED OFFICE

Meeran Kot Road,
P.O. Central Jail,
Ajnala Road, Amritsar

WORKS

- Meerankot Road, Amritsar
- Kaithal Road, Karnal.
- Mukhmelpur Road, Alipur, Delhi

BANKERS

Punjab National Bank,
International Banking Branch.
46, The Mall, Amritsar.

REGISTRAR & COMMON SHARE TRANSFER AGENT

M/s Beetal Financial & Computer Services (P) Ltd.
IIIrd Floor, 99, Madangir
(Near Dada Harsukh Dass Mandir)
New Delhi

AUDITORS

M/s. Rajesh Kapoor & Co.
Chartered Accountants
HM-5, Aman Avenue, Amritsar

ANNUAL GENERAL MEETING

On 29th Sept. At 5:00 p.m at

Regd Office : Miran Court Road, P.O. Central Jail, Amritsar

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NOTICE TO THE MEMBERS

Notice is hereby given that the 12th Annual General Meeting of CHAMAN LAL SETIA EXPORTS LTD. will be held on Friday, the 29th Sept 2006 at Regd. Office Miran Kot Road, P.O. Central Jail at 5.00 p.m. to transact the following business:

(A) ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and audited Balance Sheet and the Profit & Loss Account as at and for the year ended 31.03.06 and the Auditors' Report thereon.
2. (a) To appoint a director in place of Mr. Sukarn Setia who retires by rotation but being eligible, offers himself for re-appointment.
(b) To appoint a director in place of Mr. Raghav Peshawaria who retires by rotation but being eligible offers himself for re-appointment.
(c) To appoint a director in place of Mr. Vijay Setia who retires by rotation but being eligible offers himself for re-appointment.
3. To appoint auditors for the next year and to fix their remuneration. M/s Rajesh Kapoor & Co. are eligible and available for re-appointment.
4. To declare dividend.

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not to be a member.
2. The instrument of proxy must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the aforesaid meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23.9.2006 to 29.9.2006 (both days inclusive.)
4. Cases of Transfer of Shares may be referred to the Registrar, Whose address has been given at Page No. 1
5. Shareholders are requested to intimate to the Company, changes, if any, in their registered address including PIN CODE number.
6. Persons attending the Annual General Meeting are requested to bring their copies of Annual Report.
7. Enquiries, if any, about the Annual Accounts, may please be intimated to the Company, at least Seven days in advance of the date of Annual General meeting.

By Order of the Board
For Chaman Lal Setia Exports Ltd.

Place : Amritsar
Dated : 18-08-06

Rajeev Setia
Whole Time Director





DIRECTORS' REPORT

To The Members,

Yours Director have pleasure in presenting the 12th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2006.

1. RICE BUSINESS ——— Performance At A Glance

Particulars	Amount (in Lacs) Y.E. 31.03.2006	Amount (in Lacs) Y.E 31.03.2005
Export turnover	3372.29	4330.65
Domestic turnover	4673.62	3523.43
Profit before Intt. & Depreciation	448.78	508.12
Interest	128.80	217.16
Provision for Depreciation	89.80	83.80
Profit before Tax	230.18	207.16
Provision for Tax	64.00	71.74
Profit after Tax	166.18	135.42
Proposed Dividend	185.59	312.01
Transfer To General Reserve	16.61	13.54
Carried to Balance Sheet	12.60	43.11
Current Assets	4443.03	5824.32
Current Liabilities	1698.24	3291.52
Working Capital	2744.79	2532.80
Capital Employed	3361.78	3112.49
EPS	1.80	1.54
Book Value	23.82	23.80

Highlights of Performance:

During the year the export of Company decreased to a large extent due to the adverse factors i.e. fall in the value of dollar & cut throat competition in export market. but domestic sales increased tremendously in the year under consideration. This was the result of the efforts put in by management last year viz attraction packing, branding & standardisation of quality of rice creating of new markets. Overall sales and profitability increased at a steady pace.

2. Deposits

The Company has not accepted any deposits falling within the purview of Sec 58A of the Companies Act 1956 and no deposits were overdue as on 31.03.06

3. Personnel

Relations with work force of the Company have remained cordial, through out the Year.

4. Directors

Sh Sukarn Setia, Raghav Pashawaria & Vijay Setia all Director of the Company retires by rotation at the Annual General Meeting and being Eligible offers themselves for re-election.

5. Statement u/s 217 (1) (e) of the Companies Act

The requirements for disclosure of particular with respect to conservation of energy are not applicable to the company. A statement giving details of technology absorption, foreign exchange earning and outgo in accordance with the above provisions is annexed here to as Annexure 'A' and form parts of this report.

6. Particulars of employees

The Company has no employee of the category specified in sub section (2A) of section 217 of the Companies Act 1956.

7. Auditors' Report

The notes on accounts referred to in the Auditor's Report are self-explanatory and therefore do not call for any further Comments.





8. Auditors

M/s Rajesh Kapoor & Co, Chartered Accountants retire at the conclusion of the forthcoming Annual General meeting and are available for re-appointment. A written certificate u/s 224(1)(B) has been obtained to this effect.

9. Dividend

During the year ended March 31, 2006 your Company's working results have improved on both front i.e. sale & profit in view of the Management Thrust on Cost reduction in all areas of Company's operations, productivity improvement, improvement in the quality of yield and innovation of new products viz Pesticide Residue Free Rice, Smoked Rice Diabetic free rice 's cardaman rice etc. Therefore keeping in view the shareholders aspirations, yours directors, recommend a dividend of 20 % on pro-rata basis subject to adjustment of 100% of amount due to partly paid shareholders towards their balance of call money due.

10. Director's Responsibility

Pursuant to section 217 (2AA) of the Companies Act 2000 the directors confirm that:

- (i) In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) Appropriate accounting policies have been selected and applied Consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true & fair view of the state of affairs of the Company as at March 31, 2006 and of the profit of the Company for the said period.
- (iii) Proper and sufficient care has been taken 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.
- (iv) The annual accounts have been prepared on a going concern basis.

11. Statutory Disclosures

None of the directors of your company is disqualified as per the Provisions of Section 274 (1) (g) of the Companies Act, 1956. Your directors have made necessary disclosures as required under various provisions of the Act and clause 49 of the Listing Agreement.

The information given under Section 217 (1) (e) of the Companies Act, 1956 to be read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 as amended is enclosed as Annexure 'A'.

None of the employees of your company is drawing remuneration exceeding the limits laid down under provisions of Section 217(2A) of the Companies Act, 1956 to be read with Companies (Particulars of Employees) Rules, 1975 as amended.

12. Corporate Governance

Chaman Lal Setia Exports Ltd has rooted itself in Values.Nurtured by ethics,transparency and Corporate Governance, Your Company is all set to branch out further and grow stronger.It is these values and guidelines that will give a firm foundation for the future growth.

The Company has implemented the new requirement code of corporate governance as required by Clause 49 of the listing Agreement.

13. Dematerialisation of Shares

The Company has agreements with both National Securities Depository Ltd and Central Depository Services Ltd. whereby the Shareholders have an option to dematerialise their shares with either of the depositories. Now the company's shares are traded compulsorily in demat form under ISIN code INE419D01018.

14. Social Objectives

Company is not only a Profit Oriented Unit, but also meeting its Commitment & Responsibility towards the society by undertaking the following measures:

- a) Development of new technique whereby rice could be made Pesticide Residue Free.
- b) Development of low cost water filters for poor segment of the society. The Company has named the new invention after the name of its Brand as Begum Water Filter.
- c) Project for tackling problem of wastewater logging and treatment of sanitary discharge in villages is under process.
- d) Development of diabetic rice for diabetic patients.



- e) Zero Energy cool chamber development of more cost effective more users friendly cooling system at a very nominal cost.

15. Delisting of Shares

The share of the Company are listed on Mumbai Stock Exchange Limited and listing fees has been paid timely.

16. Pollution Free Environment: - Company's Slogan

During the Year Company has distributed free of cost plants of Neem & Jamun for plantation. As such company has prepared a nursery plants of Neem, Jamun etc. Further the Company has also used the Neem as bio pesticide for controlling infestation. To further accomplish Company's motive of pollution free environment Company is trying hard in making Bio Compost from waste and rejects of paddy to overcome the problem of waste. The Company's research & development Deptt. is also trying to stabilize rice bran for human consumption.

The Company's research work for paddy steeping to desired level of moisture without using excess water is still under trial.

Appreciation

The Board of directors thanks company's customers, public in general, shareholders, bankers and suppliers.

The Board also places on record its appreciation of the services rendered by staff at all levels and look forward to their valued co-operation and contribution in meeting the future challenges.

FOR & ON BEHALF OF BOARD

Place Amritsar
Dated 18-08-2006

CHAMAN LAL SETIA
Chairman

ANNEXURE - A

Particulars as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rule 1988 and forming part of the Director's Report for the year ended 31.03.2006

A. CONSERVATION OF ENERGY

Maharani Zero Energy cool chamber has been developed by the Company to save Consumption of Electricity to a great extent. This system is of great help for common farmers whereby 30 to 35% wastage of vegetables/fruits can be saved resulting in a huge saving of the Country which otherwise are wasted due to sudden ripping due to high temperatures and humid atmosphere conditions.

B. TECHNOLOGY ABSORPTION

(i) Research And Development(R&D)

1. Various R&D initiatives were undertaken which have resulted in :
 - a) Development of Pesticide Residue Free aged Basmati rice;
 - b) Development of Smoked Basmati Rice;
 - c) Development of quick cooking Brown Rice;
 - d) Development of Sugar Free Rice;
 - e) Use of neem as Bio-pesticide;
 - f) Improvement in Parboiling for improvement in quality parameters;
 - g) Use of Plastic Buckets in parboiling plant thus reducing cost;
 - h) Development of Bhatti Sella for the first time in India;
 - i) Development of Fragrance Rice.
 - j) Reducing broken in paddy with very high sun checks under process.
 - k) Rice bran stabilization for human consumption under process.
 - l) Making bio-compost from waste and reject of paddy under process.
 - m) Cool Chamber system.





2. Future plan of action.

The Company will try to assist any R&D Unit of any academy/University in this line.

3. Expenditure on R & D.

Wages, salaries, stores, spares & consumable used for R&D activities have been debited to Respective Heads.

(ii) **Technology absorption, adoption and innovation.**

The Company has completely indigenous technology & has not imported any technology from abroad.

C. EFFLUENT TREATMENT

Your Company has developed a "no cost" water treatment system for its Parboiled Unit.

D. ELIMINATION OF PESTICIDE RESIDUE: -

Aged rice is preferred for eating & cooking quality. But aging requires one & more years of storage and for safe storage, pesticides fumigants are invariably used to preserve the rice. These are highly toxic and even its residues are health hazards. Even recently some soft drinks have been found to contain pesticides residue contents.

As per norms of WHO these pesticides are to be phased out for human health & environment concerns and it is remarkable achievement of the company that it has developed a technology of aged rice without fumigation & pesticide usage resulting thereby a healthy and tasty rice for your health & family.

E. SMOKED BASMATI RICE: -

The company has yet another development to its credit that it has developed a new quality of rice called "Smoked Basmati Rice" which is monopoly of few millers in the world.

F. DIABETIC FREE RICE:-

Company has succeeded in developing a new variety of rice which is called "Rice for Diabetic people". These rice are with moderate G.I. Our claim for diabetic free rice has been upheld by department of Nutrition & diabetic of P.S.G college of Arts and Science (An ISO 9001 2000 certified institute also accredited at the 5 star level by NAAC) after two simultaneous research's.

G. LIGHT WEIGHT TILES:-

The Research & Development wing of the Company have been able to achieve a remarkable thing by developing lightweight tiles made from Rice Husks. Which can be used in multi stored building while construction. These tiles are light in weight and company foresee a good prospect of this innovative product along with elimination of Hazardous waste of rice.

H. CARDAMOM FLAVOUR RICE:-

The Company has yet another mile stone achieved to its credit by developing a different quality of rice called "Cardamom Flavour rice". This special rice has started giving its results by creating a Niche for its quality in middle East and Europe etc.



Management Discussion and Analyses

1. Economic Environment & Rice Industry:-

With 8% GDP growth foreign exchange of \$ 165 billion (Appox), FDI almost 8 billion and an over 20% rise in export, the Indian Economy is clearly on a strong growth path. Although rising inflation and heavy increase in oil prices are the matters of concern.

The performance of rice Industry is largely dependent on monsoon. Due to drought prevailed in the past in some areas, uneconomical rice prices, many rice Industries went through a period of recession. The minimum prices for paddy and rice of a few qualities is fixed by central govt. and some levies are also levied on rice Industry.

2. Outlook – Global Rice Industry:-

Gradual changes in economy are already visible with strong rural and urban growth and an end to down trading which strongly hampered market growth earlier. The implementation of VAT has also been a key to this changing scenario. It has enabled higher levels of compliance, transparency and reduced tax evasion. Going forward a thrust on innovation and enhances focus on branding, increased advertisement spent, focus on globalization and improved penetration levels are all going to be the key to drive growth.

During the year under review your company has tried to do all these while maintaining the growth rate. In addition to introducing new products company is also performing well in social sector by developing light weight tiles, eliminating pesticides residues introducing low cost water filter for common people.

Opportunities & Threats: -

Opportunities: _

1. The Company has developed a unique product i.e. Pesticide Residue Free Aged Basmati Rice which is absolutely free from any pesticide residue. This product of the company can be called triumph card for the future. As it is well known now that some of very popular food items have been found having pesticide residue content. But as far as our company is concerned, our product is now pesticide residue free and this is perhaps unique in the world. Its sale is increasing day by day.
2. Yet another development for which we can boast of is Smoked Rice having something-unique taste and flavour. This rice is now also picking up particularly in Saudi etc.
3. The company's novel product Bhatti Sella that was introduced three years before is selling at a premium in the rice market. This rice has the qualities like taste, aroma, easy cooking and longer preservation period.
4. Quick cooking brown rice developed by the company is very useful for large function at a big level and its sale is picking up especially in Saudi Area.
5. Yet another product of the company introduced last year is for Diabetic People who avoid normal rice. This rice developed by the company contains low quantity of sugar as compared to the normal rice available in the market. This will also prove a backbone in the profitability and sales of the company in the coming year.
6. **CARDAMOM FLAVOUR RICE:-**
The Company has yet another milestone achieved to its credit by developing a different quality of rice called "Cardamom Flavour rice". This special rice has started giving its results by creating a Niche for its quality in middle East and Europe etc. All these factors have largely contributed to increase in sales of the company both in domestic market as well as export market.
7. The Steam plant at Amritsar unit has been installed and ready for production and cater the need of steam rice especially for Saudi Arab.
8. The Company is in process of having a corporate office at Delhi to give a boost of its Export and domestic Sale.





9. The fixed cost can be brought down substantially with increased production as the Company has the total Infrastructure at its both the units which has also led to increase in profitability. The Company has considerably reduced the financial cost by making a prudent use of funds and still hopeful for further decrease in financial expenses.

Threats: -

Under performance of world economy, global recession and unfavorable & deficit monsoon change in govt. policy are the threats which can depress the prices and the demand for rice. This risk can be mitigated largely due to the concept that Food Industry has lesser elasticity of demand as compared to the other products. Further the business wisdom and technological aspirations inherent in the management team can be quite helpful to overcome such difficulties.

As the company is mainly dependent upon Agriculture which totally depends upon the quality of rains in India, the poor rainfall can adversely affect the costing of the Company and consequent price realisation. But the Company has developed its procurement market through out India and if in any region the rainfall is lesser the Company can buy its raw material from the another region.

Risks and Concerns

The unprecedented nature of Rice Industry and volatile prices are areas of concern for which the company's focus to make cost of production internationally competitive and reduces interest cost by more & more utilising its own resources and cutting other cost through technological upgradation and computerisation of company's operations.

The protectionist measures initiated by other countries may close down the window for exports. However the company's focus is also on the domestic market.

In case of Sugar free Rice Company's claim proved to be correct by Dept. of Nutrition and dietetics of P.S.G College of Arts and Science.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The company continued to lay emphasis on strengthening and improving internal supervision and control. The Company has a proper and adequate system of Internal controls to provide reasonable assurance that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly. The internal control system provides for well-documented policies, guidelines, authorization and approval procedures. Management information system (MIS) is the backbone of your company's control mechanism. Well-conceived annual planning and effective budgetary control ensures adequate control on all the expenditures of the company.

An extensive programme of Internal Audit by the internal audit department and periodic review by the Management further supplement the Company's internal control systems. In the line with the International trend, planning and conduct of internal audit is oriented towards review of control in the management of risks and opportunity in the Company's activity.

The Internal Auditors report significant audit observations, periodically at regular intervals to the Audit Committee that comprises of three independent Directors. The Committee met regularly during the financial year and reviewed audit observation and followed up implementation of corrective actions. The Audit committee also met the company's Statutory Auditors to ascertain their views on the adequacy of Internal Control System in the Company.

FINANCIAL PERFORMANCE:

Despite difficult market scenario, erratic monsoon, tight money market and other factors viz fall in exchange rate company maintained its record of profitability and earned Rs 320 lacs as cash profit as compared to 291 lacs last year. During the year company's sales record a growth from 7854 lacs to 8046 lacs and EPS increased to Rs 1.80 from Rs 1.54.





INDUSTRIAL RELATIONS & HUMAN RESOURCE MANAGEMENT:

Like any high performance organization, your company firmly believes that success of the company comes from good Human Resources. Employees are considered as important assets and key to its success. HRD always strives for sourcing and developing high caliber employees, providing them relevant training for enhancement of their competence and facilitating their assessment process through an effective performance Management System (PMS). Company aims to remain lean and dynamic in a continuing de layed structure.

Training and development initiatives aim at bridging the gap between existing skills and desired skills of the employees in line with organisational needs. Extensive training inputs aim at building up competence amid commitment to employees through understanding and utilizing new technology, hands on job training, inter functional knowledge, furtherance of safety awareness and training in behavioural area etc.

During the year company has incurred Rs. 3.53lacs on the training of its employees and Rs 52.34lacs on staff welfare & other provisions for the benefit of employees..

Employee relation continued to be satisfactory. The number of persons directly employed by the company was above 130 as on 31st March 2006..

The company continued with the existing welfare schemes for the benefits of its employees. The Provident Fund, Bonus, Promotion, Gratuity and other fringe benefits were bestowed upon all the confirm employees of the company to motivate them for attaining the ultimate goals of the company. In addition to these benefits Group Insurance, Medical Insurance and Retrenchment Compensation were also assured for the employees of the company.

In addition to these ultimate benefits, employees are also provided with better working environment, first aid medical facilities, conveyance facility and computerised environment.

CAUTIONARY STATEMENT:

Statement in this report on Management's Discussion and analysis describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied important factors that could make a difference to the Company's operations include economic conditions affecting global and domestic demand supply, finished goods prices in the domestic and overseas markets in which the Company operates, raw material cost and availability, changes in Government regulations, tax regimes, economic developments within India and other factors such as litigation and Industrial relations. The company assumes no responsibility to publicly amend, modify ore revise any forward looking statements on the basis of any subsequent developments information or events.





REPORT ON CORPORATE GOVERNANCE

1. Corporate Governance Philosophy:

Your company and its board is committed to achieve the highest standards of Corporate Governance.

2. Board of Directors: -

Company has a broad mix of Independent & Non-Independent directors, Constituted as per and in accordance with the Companies Act, 1956 and SEBI Code.

2.1 Composition of the Board of Directors as on 31.03.06

S.No.	Name	Designation	Date of Appointment	Other Boards/ Committees
1.	Sh. Chaman Lal	Chairman cum Mg. Director	21.09.04	Nil
2.	Sh. Vijay Setia	Executive Director	21.09.94	Nil
3.	Sh. Rajeev Setia	Executive Director	21.09.94	ShareHolders Committee.
4.	Sh. Sukarn Setia	Executive Director	28.09.01	Nil
5.	Sh. Ankit Setia	Executive Director	30.09.02	Nil
6.	Sh. Inder Dev Kukkar	Director	26.05.97	Audit Committee
7.	Sh. Naresh Suneja	Director	30.09.02	—Do—
8.	Sh. Amit Malhotra	Director	30.09.02	—Do—
9.	Sh. Parmod Kumar	Director	31.03.03	Nil
10.	Sh Raghav Peshwaria *	Director	28.07.04	Shareholders Committee

None of the directors is a member of more than 10 Board level committee or a chairman of more than five such committees as prescribed under clause 49 of listing agreement.

2.2 Details of Board Meetings held in 2005-06 :-

Date of Meeting	No. of Directors on Board	No. of Directors in Attendance
10.04.05	10	7
15.04.05	10	8
29.04.05	10	7
30.04.05	10	7
16.05.05	10	7
31.05.05	10	8
07.06.05	10	7
15.06.05	10	7
30.06.05	10	7
15.07.05	10	7
30.07.05	10	8
16.08.05	10	7
17.08.05	10	10
31.08.05	10	8
15.09.05	10	8
22.09.05	10	10
30.09.05	10	10
25.10.05	10	7
29.10.05	10	8
10.11.05	10	7
21.11.05	10	7
30.11.05	10	8
10.12.05	10	8



Chaman Lal Setia Exports Ltd.

Date of Meeting	No. of Directors on Board	No. of Directors in Attendance
31.12.05	10	9
10.01.06	10	8
20.01.06	10	8
30.01.06	10	7
10.02.06	10	7
20.02.06	10	9
16.03.06	10	8
31.03.06	10	8

2.3 Details of meetings attended by directors during 2005-06

Name of Director	No. of Meetings Held	No. of Meetings attended	Attendance in Last AGM
Chaman Lal	31	28	No
Vijay Setia	31	26	No
Rajeev Setia	31	28	Yes
Inder Dev Kukkar	31	20	No
Sukarn Setia	31	21	No
Ankit Setia	31	24	Yes
Naresh Suneja	31	30	Yes
Amit Malhotra	31	27	Yes
Parmod Kumar	31	26	No
RaghavPeshawari	31	20	Yes

All the information required to be supplied to Board of Directors under Clause 49 of Listing Agreement was supplied to them.

3. Committees of the Board :-

3.1 Audit Committee: -

Composition :-

Sh. Inder Dev Kukkar	Non Executive Director (Chairman)
Sh. Naresh Suneja	Non Executive Director (Member)
Sh. Amit Malhotra	Non Executive Director (Member)

Objectives: -

- Providing direction and overseeing the total Audit function.
- Interaction with Statutory Auditor before finalisation of annual/ semi annual financial results.
- Reviewing Internal Audit function, its quality and effectiveness.
- Acting as per the provisions of Listing Agreement.
- Housekeeping.
- Recommending appointment/re-appointment and if required removal of Statutory Auditor.
- Approving of payment to Statutory Auditor for any other services rendered.
- Reviewing, with the Management, the Annual Financial Statements before submission to the Board for approval.
- Reviewing the functioning of the whistle Blower Mechanism.

3.2 Details of meetings attended by member directors during 2005-06: -

Name	No. of Meetings held	No. of Meetings attended
Sh. Inder Dev Kukkar	5	4
Sh. Naresh Suneja	5	5
Sh. Amit Malhotra	5	5



3.3 Shareholders/ Investor Grievance Committee :-

Composition :-

Sh. Rajeev Setia Executive Director (Member)

Sh. Raghav Peshawaria** Non Executive Director (Chairman)

This Committee looks into re-dressing of shareholder complaints like Transfer of Share, Non Receipt of Dividend/ Balance Sheet, as required in Clause 49 of Listing Agreement.

3.4 Details of meetings attended by member directors during 2005-06: -

Name of Director	No. of Meetings held	No. of Meetings attended
Sh. Rajeev Setia	4	4
Sh Raghav Peshawaria	4	4

The company has received 77 complaints/queries from the investors during the year. All of these have been redressed. No share transfer request received upto 31.03.06 is pending for more than 30 days.

4. Related Party Disclosures: -

The company has identified all related parties and transactions with them during the year as follows: -

Name of the Related Party	Relationship	Nature of Transaction	Amount
Sh. Chaman Lal	Chairman cum Mg. Director	Remuneration	319163
Sh. Vijay Setia	Executive Director	Remuneration	318696
Sh. Rajeev Setia	Executive Director	Remuneration	267576
Sh. Sukarn Setia	Executive Director	Remuneration	299424
Sh. Ankit Setia	Executive Director	Remuneration	Nil

In addition, dividend was also paid to them, disclosed in this report elsewhere.

5. Material Disclosures: -

There was no instance of non-compliance by the company on any matter related to Capital markets.

There are no materially significant related transactions of the company with its Directors, management and /or relatives that would have potential conflict with the interest of the company at large.

Per Share Data: -	2005-06	2004-05
Face Value (Rs.)	10	10
Earning Per Share (Rs.)	1.80	1.54
Dividend (%)	20%	30%
Book Value (Rs.)	23.82	23.80

6. Listing on Stock Exchange: -

The shares of the company are listed on the following Stock Exchanges: -

1. Mumbai

The Company during the year got voluntarily delisted from Ludhiana and Chennai stock Exchanges.

7. Registrar & Share Transfer Agent: -

Beetal Financial & Computer Services (P) Ltd., a SEBI approved Registrar and Share Transfer Agent, has been entrusted the job of Registrar and Share Transfer Agent for the company. It has been entrusted the job of STA both for Physical as well as Demat shares. Investors may send all their communication regarding transfer/transmission of shares, change of address and change in bank account at the following address:

M/s Beetal Financial & Computer Services (P) Ltd.,

Beetal House IIIrd Floor, 99 Madangir, Near Dada Harsukh Dass Mandir, New Delhi

8. General Body Meeting : The Details of Last Three Annual General Meetings of the Company are as follows;

Date & Time	Venue
Sep 29, 2005	Hotel Royal Castle, Albert Road, Amritsar
Sep 29, 2004	Hotel Royal Castle, Albert Road, Amritsar
Sep 29, 2003	Hotel Royal Castle, Albert Road, Amritsar



Chaman Lal Setia Exports Ltd.

The Company will hold the next Annual General Meeting on Sep 29, 2006 at 5.00 P.m. at Regd. Office, Meerankot Road, P.O. Central Jail Road, Amritsar.

Special Resolution paased in the last three Annual General Meetings.

Meeting Date	Details of Special Resolution
Sep. 29, 2005	Nil
Sep. 29, 2004	Accorded Consent to the appointment of She. Chaman Lal Setia as Mg. Director for a further term of five years W.e.f. 21.09.2004 as per the provision of Section 198, 269 & 309 recd with Sch XIII of Companies (Amendment) Act, 1956.
Sep.29,2003	Accord consents for voluntary delisting of equity shares of the company from Ludhiana ,Jaipur,Ahemdabad,Delhi,Madras Stock Exchanges.

9. Share Transfer System:-

Transfer of physical shares is made within the time stipulated by SEBI. Registrar & STA sends an option letter to the shareholders to send their consent to receive the shares in physical or demat form. A period of thirty days is given to shareholders to send his option. Thereafter shareholder receives the shares as per his/her option. In case of non-receipt of option from the shareholder, physical shares are sent.

10. Shareholding & Distribution Pattern (as on 31.03.06):-

Category	No. of Shares Held
Promoters/their Relatives/	7099609
Domestic Companies	458228
Indian Public/Resident Individuals	1932499
NRI/OCB	1862

11. Distribution Schedule

Shareholding of Nominal Value	No of Shares holders	%	Number of shares	%
1- 5000	3631	85.94	771317	8.12
5001-10000	334	7.91	272846	2.87
10001-20000	126	2.98	189394	1.99
20001-30000	36	0.85	93000	0.98
30001-40000	21	0.50	76414	0.80
40001-50000	16	0.38	74750	0.79
50001-100000	27	0.64	194861	2.05
100001 Above	34	0.80	7826418	83.39

12. Dematerialisation of Shares: -

The company's shares are traded compulsorily in demat form under ISIN Code INE 419D01018. At present, 1538890 Equity Shares of the Company have been dematerialised.

13. Detail of shares held by directors and dividend paid to them

Name	Share hold as on 31/3/06	Dividend paid
Sh Chaman Lal Setia	2109000	6327000
Sh Vijay Setia	2269000	6807000
Sh Rajiv Setia	2378300	7134900
Sh Sukarn Setia	56800	170400
Sh Ankit Setia	50000	150000
Sh Inder Dev kukkar	Nil	Nil
Sh Naresh Suneja	Nil	Nil
Sh Parmod Kumar	Nil	Nil
Sh Amit Malhotra	Nil	Nil
Sh Raghav Pashawaria	Nil	Nil



14. Particular of loans/Advances and investment in its own share by listed Companies their subsidiaries, associates etc required to be disclosed in the annual accounts of the Company as per clause 32 of the listing Aggrement:-
Loans and Advances in the nature of loan to subsidiaries Nil

15. **Whistle blower Policy**

With a view to establish a mechanism for protecting the employees reporting unethical behaviour frauds, violation of company's code of conduct the Board has adopted a whistle blower policy during the year. No person has been denied access to the audit committee.

16. **Details of non compliance:-**

The Statutory proforma required under clause 49 of listing agreement has been duly submitted to the stock exchange on regular basis. There has not been any non compliance by the company of any mandatory requirement of clause 49. No penalties and strictures were imposed on the company by the Stock Exchange or SEBI or any statutory Authority on any matter related to Capital Market.

17. **Disclosures regarding re-appointment of Director liable to retire by rotation.**

According to the Articles of the Company at every AGM 1/3 of the directors are liable to retire by rotation. Thus Sh Vijay Setia, Sukarn Setia & Raghav Pasharwaria shall retire at the Annual General Meeting and being eligible offers themselves for re-election. The resume of three directors are as follows:-

Name	Sh Vijay Setia
Date of Birth	16.11.53
Qualification	B.A
Specialised Expertise	Industrialist having rice business experience and famous for his Innovation ideas in the rice Industry.
No of Share held	2269000
Directorship in other Company	Nil

Name	Sh Sukarn Setia
Date of Birth	19.09.80
Qualification	B.Com ,Diploma in Business Management (London)
Specialised Expertise	Industrialist having marketing Experince.
No of Share held	56800
Directorship in other Company	Nil

Name	Sh Raghav Pashawaria
Date of Birth	22.12.76
Qualification	B.A
Specialised Expertise	Business has knowledge of rice traders since last 10 years..
No of Share held	Nil
Directorship in other Company	Nil

18. **Declaration by Chairman & Managing Director for Compliance with Code of Conduct: -**

The Declaration by the CMD, pursuant to Clause 49(1)(D) of the listing agreement, stating that all the Board Members and Senior Management personnel have affirmed their Compliance with the said Code of Conduct for the year ended 31.03.2006 is annexed to the Corporate Governance Report.

19. **General Shareholders Information**

A. **Annual General Meeting**

Date & Time 29.09.2006 at 5.00 PM
Venue Regd. Office: Miran Court Road, P.O. Central Jail, Amritsar

B. **Financial Calendar**

Financial Year April 1 To March 31



Chaman Lal Setia Exports Ltd.

- C. Book Closure**
Period 23.09.2006 to 29.09.2006 (Both Days Inclusive)
- D. Dividend for the Year 05-06**
Type Board Meeting Rate
Final Dividend 18.08.2006 20%
Subject to 100% adjustments of Partly Paid ShareHolders.
- E. Listing**
The Company's shares are listed on Mumbai Stock Exchange Ltd.
- F. Stock Code**
The Mumbai Stock Exchange Ltd. - 530307
- G. Register Share Transfer Agent**
Beetal Finance & Computer Services (P) Ltd
IIIrd Floor 99 Madangir, (Near Dada Harsukh Dass Mandir) New Delhi
- G. Address of Correspondence**
Chaman Lal Setia Exports Ltd.
Meera ankot Road, P.O. Central Jail
Ajnala Road, Amritsar, Pin 143001

Declaration by Chairman and Managing Director

I, Chaman Lal, Chairman & Managing Director of M/s Chaman Lal Setia Exports Ltd. hereby confirm pursuant to Clause 49(1)(D) of Listing Agreement that:-

1. The Board of Directors of Chaman Lal Setia Exports Ltd. has laid down a Code of Conduct for all the Board members and Senior Management of the Company. The said Code of Conduct has been displayed in the Regd. Office of the company.
2. All the Board Members and Senior Management personnel have affirmed their Compliance with the said Code of Conduct for the year 2005-2006

For and on behalf of the Board

Place : Amritsar

(Chaman Lal)

Date : 18-08-2006

Chairman cum Mg. Director

AUDITORS' CERTIFICATE

We have examined the compliance of conditions of Corporate Governance by M/s Chaman Lal Setia Exports Ltd. for the year ended 31st March, 06, as provided in Clause 49 of Listing Agreement.

The compliance of the provisions of Corporate Governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adapted by the company. 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, we certify that the company has complied with the provisions of Corporate Governance to the extent applicable.

We state that no investor grievance is pending for a period exceeding 30 days as per the record maintained by the Shareholders Grievances Committee.

We further 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 RAJESH KAPOOR & CO.
CHARTERED ACCOUNTANTS**

Place : Amritsar

(RAJESH KAPOOR)

Dated : 18-08-2006

Prop.

M. No. : 92692





AUDITORS' REPORT

1. We have audited the attached Balance Sheet of Chaman Lal Setia Exports Ltd., the Profit and loss account and cash flow statement of the Company for the year ended on that date annexed there to. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standard generally accepted in India. These Standards require that we planned & formed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit include the examining on a test basis, evidence sporting the amount and disclosures in the financial statement. An audit also include assessing the accounting principles used and significant estimate by the management as well as evaluating the overall financial statements presentation. We believe that our Audit provide a reasonable basis for opinion.

As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) Of the Companies Act, 1956, we enclose in the annexure in paragraph 4 and 5 of the order.

- (a) The balance sheet & Profit & Loss Account has been drawn up in accordance with the provisions of schedule VI of Companies Act 1956.
- (b) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (c) 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 the books.
- (d) The balance sheet, profit and loss account and cash flow statement dealt with by this report is in agreement with the books of accounts.
- (e) In our opinion, the Profit & Loss Account, Balance Sheet and cash flow statement Comply with the Accounting Standards referred to in sub section (3c) of section 211 of Companies Act 1956;
- (f) On the basis of written representations, received from directors, and taken on record by the Board, we report that none of the said directors is disqualified as on March 31, 2006 from being appointed as director in terms of section 274(1) (g) of the Companies Act 1956 and;
- (g) In our opinion and to the best of our information and according to the explanation given to us, the said balance sheet and profit and loss account read with Schedule '1' to '20' and subject to the notes, shows a true & fair view:-
 - (i) In the case of the balance sheet, of the state of affairs of the company as at 31.3.06and
 - (ii) In the case of the profit and loss account, of the profit for the year ended on that date.
 - (iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

**FOR RAJESH KAPOOR & CO.
CHARTERED ACCOUNTANTS**

Place : Amritsar
Dated : 18-08-2006

(RAJESH KAPOOR)
Prop.
M. No. : 92692



ANNEXURE TO THE AUDITORS' REPORT

To the Members of Chaman Lal Setia Exports Ltd. on the Accounts for the Year Ended 31st March 2006

- (i) (a) The company has maintained proper records showing full particulars including quantitative details of its fixed assets.
- (b) All the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable, having regard to the size of the company and the nature of its assets and no serious discrepancies have been noticed in respect of those assets which have been physically verified.
- (c) There has been no disposal of substantial part of the fixed assets during the year.
- (ii) (a) Inventory has been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us, the company during the year has not granted/ taken any loans, secured or unsecured to/from companies, firms or other parties as per the register maintained under Section 301 of the Companies Act, 1956. Hence clauses (a) to (g) are not applicable of CARO (Amendment) order, 2004.
- (iv) According to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and nature of its business for purchase of inventory and fixed assets and for the sale of goods. There is no continuing failure to correct major weaknesses in internal control system.
- (v) As explained to us, particulars of contracts or arrangements referred to in section 301 of Act, if any, have been so entered in register required to be maintained under that section and according to the information and explanations given to us, such transactions made in pursuance of such contracts and arrangements exceeding the value of five lacs rupees in respect of each party have been made at prices which are reasonable having regard to prevailing market prices.
- (vi) The company has not accepted deposits from the public to which the provisions of section 58 (A) and 58 (AA) of the Companies Act, 1956 and the rules framed thereunder apply.
- (vii) In our opinion the company has an adequate internal audit system commensurate with the size of the company and nature of its business.
- (viii) To the best of our knowledge and according to the information given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the Company's products.
- (ix) (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in accordance with the generally accepted auditing practices in India, the company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, excise duty, customs duty, cess





and other statutory dues as applicable with the appropriate authorities.

- (b) As explained to us, as at 31st March 2006, there have been no undeposited disputed dues in respect of sales tax, income tax, custom duty, wealth tax, service tax and cess. Except an amount of Rs 55 lacs of Income Tax for which an appeal is pending with CIT(A)
- (x) The company does not have any accumulated losses at the end of the financial year.
- (xi) The company during the year has not defaulted in repayment of dues to financial institution.
- (xii) The company during the year has not granted any loan and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a nidhi/mutual benefit fund/ society to which the provisions of special statute relating to chit fund are applicable.
- (xiv) In our opinion the company has maintained proper records of transactions and contracts relating to dealings in shares and other investments and timely entries have been made therein. Further, such securities have been held by the company in its own name.
- (xv) According to the information and explanations given to us, in our opinion, the company has not given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.
- (xvi) According to the information and explanations given to us, the loans have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us, funds raised on short-term basis have not been used for long term investment. During the year no funds have been raised on long term basis.
- (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 Companies Act, 1956.
- (xix) There are no debentures outstanding as at year-end.
- (xx) The company has not raised money during the year from the public.
- (xxi) According to the information and explanations given to us, during the year no fraud on or by the company has been noticed or reported.

**FOR RAJESH KAPOOR & CO.
CHARTERED ACCOUNTANTS**

Place : Amritsar
Dated : 18-08-2006

(RAJESH KAPOOR)
Prop.
M. No. : 92692



BALANCE SHEET AS ON MARCH 31, 2006

SOURCES OF FUNDS	SCHEDULE	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
SHAREHOLDERS FUNDS			
(a) SHARE CAPITAL	1	93662290	92739528
(b) RESERVES AND SURPLUS	2	127156277	125807766
LOAN FUNDS			
(a) SECURED LOAN	3	114557852	241259960
(b) UNSECURED LOAN	4	115360000	92640000
TOTAL		450736419	552447254
APPLICATION OF FUNDS			
FIXED ASSETS			
(a) GROSS BLOCK		126705456	118763303
(b) LESS : DEPRECIATION		69022441	61465143
(c) NET BLOCK	5	57683015	57298160
INVESTMENT	6	3998809	392040
CURRENT ASSETS, LOANS & ADVANCES			
(a) INVENTORIES	7	320134089	454656441
(b) SUNDRY DEBTORS	8	73181951	79608388
(c) CASH & BANK BALANCES	9	33961763	32415803
(d) LOANS AND ADVANCES	10	17025811	15752206
		444303614	582432838
LESS CURRENT LIABILITIES AND PROVISIONS	11	55266903	87893478
NET CURRENT ASSETS		389036711	494539360
MISC. EXPENDITURE (To the extent not written off or adjusted)	12	17884	217695
TOTAL		450736419	552447254
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	20		

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE

RAJESH KAPOOR
PROP

CHAMAN LAL SETIA

**CHAIRMAN CUM MANAGING
DIRECTOR**

FOR RAJESH KAPOOR & CO.
CHARTERED ACCOUNTANTS

RAJIV SETIA

EXECUTIVE DIRECTOR

PLACE : AMRITSAR
DATE : 18.08.2006



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

SOURCES OF FUNDS	SCHEDULE	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
INCOME			
SALES & OTHER INCOME	13	810192221	789469272
INCREASE/(DECREASE) IN STOCK OF WORK IN PROGRESS & FINISHED GOODS	14	28424467	29487723
		<u>838616688</u>	<u>818956995</u>
EXPENDITURE			
MANUFACTURING EXPENSES	15	723257094	682142569
PERSONEL EXPENSES	16	11120366	10484095
ADMINISTRATIVE EXP.	17	12345411	12351808
FINANCIAL EXPESNES	18	12880864	21716241
SELLING & DISTRIBUTION	19	47014446	63164692
DEPRECIATION	5	8980495	8380982
TOTAL		<u>815598676</u>	<u>798240387</u>
PROFIT FOR THE YEAR BEFORE TAX		23018012	20716608
PROVISION FOR TAXATION		6000000	5600000
DEFERRED TAX		400000	1574000
PROFIT AFTER TAXES		16618012	13542608
PRIOR YEAR TAX ADJUSTMENTS		1025604	900000
PRIOR YEAR EXPENSES		0	13263
PRIOR PERIOD DIVIDEND ADJUSTMENT		-504390	0
PROFIT/LOSS B/F FROM BALANCE SHEET		4311434	24210824
AMOUNT AVAILABLE FOR APPROPRIATION		21450660	36866695
PROPOSED DIVIDEND		18559000	31201000
TRANSFERRED TO GENERAL RESERVE		1661801	1354261
BALANCE CARRIED TO BALANCE SHEET		<u>1229859</u>	<u>4311434</u>

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE

RAJESH KAPOOR
PROP.

CHAMAN LAL SETIA

CHAIRMAN CUM MANAGING
DIRECTOR

FOR RAJESH KAPOOR & CO.
CHARTERED ACCOUNTANTS

RAJIV SETIA

EXECUTIVE DIRECTOR

PLACE : AMRITSAR
DATE : 18.08.2006



**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS
ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006**

SCHEDULE - 1

SHARE CAPITAL	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
AUTHORISED		
1,20,00,000 Equity Shares of Rs.10/- each	120000000	120000000
ISSUED, SUBSCRIBED AND PAID UP		
9498300 Equity Shares (PRV Year 9498300) of Rs 10/- each.	94983000	94983000
LESS : CALLS IN ARREARS	1320710	2243472
TOTAL	93662290	92739528

SCHEDULE - 2

RESERVES & SURPLUS		
SHRI GANESH JI & LAKSHMI JI	22	22
SHARE PREMIUM	99786870	97018585
GENERAL RESERVE		
BALANCE AS PER LAST BALANCE SHEET (Net)	24477725	
ADD : AMOUNT TRANSFERRED FROM P & L A/C	1661801	24477725
ADD : AMOUNT FROM CAPITAL SUBSIDY		
PROFIT & LOSS ACCOUNT	1229859	4311434
TOTAL	127156277	125807766

SCHEDULE - 3

SECURED LOAN		
I. CASH CREDIT	15557334	68330747
II. DEMAND LOAN	414680	0
III. PACKING CREDIT	72311071	138999013
IV. FOREIGN BILL DISCOUNTING	26274767	33930200
TOTAL	114557852	241259960

SECURITIES

- {I,III,IV } From Bank against hypothecation of goods including raw materials, goods in process, finished goods and book debts(all Present and future)
- {II} From Bank against pledge of FDRs in the name of Directors. The above loans are also personally guaranteed by Three Indian. Directors namely Sh Chaman Lal Setia, Vijay Setia, Rajeev Setia

SCHEDULE - 4

UNSECURED LOAN		
LOAN FROM DIRECTORS	115360000	92640000
TOTAL	115360000	92640000



SCHEDULE - 5

FIXED ASSETS PARTICULAR	GROSS BLOCK			CLOSING BALANCE AS AT 31.3.06	UP TO 01.04.05	DEPRECIATION		TOTAL UPTO AT 31.3.06	NET BLOCK	
	OPENING BALANCE AS AT 1.4.05	ADDITIONS DURING THE YEAR (Rs.)	LESS DURING THE YEAR (Rs.)			DEPRECIATION DURING THE YEAR (Rs.)	LESS DURING THE YEAR (Rs.)		AS AT 31.3.06 (Rs)	AS AT 31.3.05 (Rs)
LAND & BUILDING	26939571	557298	1356600	26140269	8309669	1671534	0	9981203	16159066	18629902
PLANT MACHINERY	44348704	7258312	1567507	50039509	24651907	3844882	0	28496789	21542720	19696797
ACCESSORIES	34139585	2616113	662616	36093082	18376856	2377408	501513	20252751	15840331	15762729
WOODEN CRATES	2375144	0	0	2375144	2375144	0	0	2375144	0	0
CAR/VEHICLE	8255235	2483947	1541550	9197632	5489927	992320	921323	5560924	3636708	2765308
FURNITURE & FIXTURE	775874	137303	0	913177	363689	72193	0	435882	477295	412185
TARPAL	1928830	17813	0	1946643	1897590	22158	0	1919748	26895	31240
TOTAL	118762943	13070786	5128273	126705456	61464782	8980495	1422836	69022441	57683015	57298161

SCHEDULE - 6

INVESTMENT	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
PNB GILTS LTD.	300000	300000
PNB EQUITY SHARES	92040	92040
FDR/SHORT TERM DEPOSITE	3606769	0
TOTAL	3998809	392040

SCHEDULE - 7

INVESTMENT	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
STOCK IN TRADE (Valued at cost or Net realisable value which ever is less & as per inventories taken and certified by management)		
RAW MATERIAL & COMPONENTS	53104803	213194221
FINISHED GOODS	267029286	241462220
TOTAL	320134089	454656441

SCHEDULE - 8

SUNDRY DEBTORS	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
UNSECURED CONSIDERED GOOD FOR A PERIOD EXCEEDING SIX MONTHS	6674953	2099766
OTHERS	66506998	77508622
TOTAL	73181951	79608388



SCHEDULE - 9

CASH & BANK BALANCES	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
CASH & CHEQUES IN HAND	702504	6906209
CASH WITH SCHEDULED BANKS		
— IN CURRENT ACCOUNT	26623261	17588848
— IN FIXED DEPOSIT/MARGIN MONEY ACCOUNT	6044177	6987950
— INTEREST ACCRUED ON DEPOSITS	0	160149
— CASH/CHEQUE IMPREST ACCOUNT	591821	772647
— TRAVELLER CHEQUES	0	0
TOTAL	33961763	32415803

SCHEDULE - 10

LOANS AND ADVANCES	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED:		
UNSECURED CONSIDERED GOOD :-		
SECURITY AND OTHER DEPOSITS	817668	737667
STAFF & WORKERS	1932603	2088562
FOR PURCHASE OF MACHINERY	25000	25000
FOR EXPENSES & OTHERS	1626090	2895902
ADVANCE TAX /TDS	12624450	10005075
TOTAL	17025811	15752206

SCHEDULE - 11

CURRENT LIABILITIES AND PROVISIONS	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
SUNDRY CREDITORS	12202040	33514115
OTHER LIABILITIES	4763285	5848212
DIVIDEND/REFUND PAYABLE	1990496	1234759
PROVISIONS		
INCOME TAX	14300000	13000000
DIVIDEND(INCLUDING INCOME TAX)	18566691	31201000
T.D.S PAYABLE	153254	204255
DEFERRED TAX	3291137	2891137
TOTAL	55266903	87893478



SCHEDULE - 12

MISCELLANEOUS EXPENDITURE	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)		
A) PRELIMINARY EXPENSES		
AS PER LAST BALANCE SHEET	17884	23845
ADDITION DURING THE YEAR	0	5961
LESS : AMOUNT WRITTEN OFF		
SUB-TOTAL	17884	17884
DEFERRED REVENUE EXPENSES	199811	400199
EXPENSES DURING THE YEAR	0	
LESS : 1/10TH WRITTEN OFF	199811	200388
SUB-TOTAL	0	199811
TOTAL	17884	217695

SCHEDULE - 13

SALES AND OTHER INCOME	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
SALES :-		
EXPORT	337229902	433064740
LOCAL	467362023	352343418
SUB-TOTAL	804591925	785408158
OTHER INCOME :-		
INTEREST RECEIVED/ACCRUED		
ON FIXED DEPOSIT WITH BANKS	186920	686834
OTHERS	409093	0
SALE OF LICENCES	2980785	
DIFFERENCE IN EXCHANGE RATE	566486	2656596
MISC.RECEIPTS	1457012	717684
SUB-TOTAL	5600296	4061114
TOTAL	810192221	789469272



SCHEDULE - 14

INCREASE (DECREASE) IN STOCKS OF WORK IN PROGRESS AND FINISHED GOODS	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
OPENING STOCK		
- FINISHED GOODS	231782539	202294816
CLOSING STOCK		
- FINISHED GOODS	260207006	231782539
INCREASE/DECREASE IN STOCKS	28424467	29487723

SCHEDULE - 15

EXPENSES	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
MANUFACTURING EXPENSES		
RAW MATERIAL AND COMPONENTS CONSUMED	654292894	615124042
POWER AND FUEL	20798600	19480886
MACHINERY REPAIR & MAINTENANCE	4772721	4909705
SHELLER LEASE	874500	420000
BARDANA REPAIRS	984577	830929
PACKING EXPENSES	2453024	3618990
STACKING,WEIGHING LOADING,UNLOADING,SORTING&BUNAI	6818100	12063373
OIL & GREASE	475926	8757
PACKING MATERIAL/EMPTY COST	30600203	24533042
FUMIGATION	303067	348139
RESEARCH & DEVELOPMENT	3180	122393
OTHER REPAIR	880302	682313
TOTAL	723257094	682142569

SCHEDULE - 16

PERSONNEL EXPENSES	THIS YEAR AMOUNT (RS) 31.03.2006	LAST YEAR AMOUNT (RS) 31.03.2005
SALARIES/WAGES	5311764	4917468
ALLOWANCES TO STAFF/WORKERS	1198321	895044
DIRECTORS REMUNERATION	1189337	1854685
EMPLOYEES PROVIDENT/FAMILY PENSION	1463776	1422603
BONUS	786180	796252
STAFF WELFARE & MEDICAL EXPENSES	1170988	598043
TOTAL	11120366	10484095



SCHEDULE - 17

ADMINISTRATIVE EXPENSES	THIS YEAR		LAST YEAR	
	AMOUNT (RS)		AMOUNT (RS)	
	31.03.2006		31.03.2005	
INSURANCE		3642852		4112494
LEGAL/PROFESSIONAL EXPENSES		1529149		1367521
POSTAGE, TELEPHONE & COURIER EXPS.		1762888		1782042
VEHICLES REPAIR & MAINTENANCE		1135454		1093721
STATIONERY & PRINTING		291250		323458
TRAVELLING EXPENSES				
DOMESTIC	686437.00			
FOREIGN	1367098.00	2053535		1316213
SUBSCRIPTION	146942	94503		
AUDITOR'S REMUNERATION				
STATUTORY AUDIT	0.00			
TAX AUDIT	0.00			
TAXATION MATTERS	118815.00			
COMPANY LAW MATTERS	0.00	118815		127460
MISC. EXPENSES/SHOP EXPENSES		735222		816804
PRELIMINARY & PUBLIC ISSUE EXP. WRITTEN OFF		199811		206349
DONATION		37777		158099
RENT		5040		195717
ISO EXPENSES		93357		122477
BUSINESS PROMOTION		593319		634950
TOTAL		12345411		12351808

SCHEDULE - 18

FINANCIAL EXPENSES	THIS YEAR		LAST YEAR	
	AMOUNT (RS)		AMOUNT (RS)	
	31.03.2006		31.03.2005	
BANK CHARGES		2012924		4742689
INTEREST		10867940		16973552
TOTAL		12880864		21716241

SCHEDULE - 19

SELLING & DISTRIBUTION EXPENSES	THIS YEAR		LAST YEAR	
	AMOUNT (RS)		AMOUNT (RS)	
	31.03.2006		31.03.2005	
EXPORT COMMISSION		1911021		4768217
E.C.G.C EXPENSES/AGMARK EXPENSES		1126923		2099550
ADVERTISEMENT		1287302		1355994
DIRECT EXPORT EXPENSES		33656163		50848451
CONSIGNMENT EXPENSES		407739		453719
BROKERAGE		3274885		2429103
BILL DISCOUNT/REBATE		917453		0
MISC EXPENSES		4166820		1209658
BAD DEBTS		266139.75		0
TOTAL		47014446		63164692



Schedule - 20
Notes on Accounts

1. Significant Accounting Policies

(A) Sales

- (i) Sales are accounted for on the date of Bill in the case of Domestic Sales and in the case of Export Sales it is accounted for on the date of Bill of Lading.
- (ii) Interest on Time deposits and other Securities is accounted for on an accrual basis.
- (iii) Revenue from DEPB Licenses is accounted for on receipt basis.
- (iv) Insurance Claims are accounted for on receipt basis.

(B) Accounting of Claims and Subsidies

- (i) Insurance Claims & Govt. Subsidies are accounted for on the date of Receipts.
- (ii) Subsidy receivable against a specific fixed assets is deducted from cost of relevant fixed asset otherwise Credited to Capital Reserve Account.

(C) Public Issue / Deferred Revenue Expenses

- (i) Share Issue expenses etc are expensed pro-rata over the period of five years.

(D) Retirement Benefits

- (i) Company's Contribution paid / payable during the year to Provident Fund & Gratuity Fund are charged to Profit & loss A/c.

(E) Fixed Assets

- (i) Fixed Assets are stated at Cost of acquisition or Construction, including attributable interest and financial costs till such assets are put to use, less specific grants received.
- (ii) Fixed Assets are stated at historical cost less depreciation till date.
- (iii) Depreciation is provided on WDV basis as specified in Schedule XIV of the Companies Act 1956 on pro-rata basis. Depreciation on plant & Machinery has been provided on the basis of shifts in both the Units.
- (iv) Cost of leasehold land is amortised over the period of lease.

(F) Investment

- (i) Long term Investments are stated at cost.

(G) Research & Development

- (i) Revenue Expenses on Research & Development are Charged to P&L Account in the same year. Expenditure which results in creation of assets is included in fixed assets and depreciation is provided accordingly.

(H) Inventories

- (i) Raw Materials, Stock-in-trade and work-in-progress are valued at Cost or Net realisable value whichever is lower.
- (ii) Cost is determined on FIFO basis in the case of Raw Material & Work in Progress and on weighted average basis in the case of Stock-in-Trade.

(I) Foreign Exchange Transactions

- (i) Foreign Currency transactions are accounted for at the rate prevailing on the date of transaction, in the case of income & expenditure items.
- (ii) Monetary assets and liabilities are translated in Indian Rupees at the Exchange rate prevailing at the Year end as notified by FEDAI
- (iii) Gain or Loss arising out of translation / conversion / realisation is taken Credit for or charged to profit & Loss Account, except those relating to acquisition of fixed assets which are debited to fixed assets as on the date of settlement of account.

(J) Contingent Liabilities

- (i) Contingent Liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

(K) Expenses

- (i) All the expenses are accounted for accrual basis except purchase/Sale Tax Determined on finalisation of the assessment of relevant year.



2. Managerial Remuneration

Computation of Managerial Remuneration u/s 198

	31.03.2006	31.03.2005
Profit before Tax	23018012	20716610
Add: Depreciation	8980495	8380982
Less: Depreciation as per Sec 350	8980495	8380982
Net Profit u/s 350 of Companies Act 1956	23018012	20716610
Add: Directors Remuneration	1189337	1854685
Profit as per Section 198	24207349	22571295
Managerial Remuneration allowable @ 11%	2662808	2482842
Managerial Remuneration paid	1189337	1854685

3. Value of Assets as at 21.9.94 the date of Conversion of the firm to the Company under Part IX of the Companies Act 1956 has been taken at value shown in books of erstwhile firm Chaman Lal & Sons.
4. Gratuity Payable to employees at some future date has been duly provided for by the Company by taking Group Gratuity Scheme from LIC of India.
5. Stores, Spares and Labour in respect of internally carried out repair and maintenance of Plant and Machinery and Building have not been charged separately but have been directly charged to stores and spares consumed and wages account.
6. Confirmation of some of the accounts at year-end included under heads 'Sundry Debtors', Sundry Creditors' and Loans and Advances have yet to be received as at the date of the Auditors Report.
7. Payment against supplies from small scale and ancillary undertakings are generally made in accordance with agreed credit terms and to the extent ascertained from available information, there was no amount overdue in this regard.
8. The preliminary and share issue expenses are being amortised over a period of ten years and the balance is kept as Miscellaneous Expenditure to the extent not written off. Fresh expenses, if any have been amortised over a period of 5 years.
9. The Managerial Remuneration has been paid within the limits of Section 198 of Companies Act 1956. Managing Director Rs 319163/- Whole Time Directors Rs.870174/-
10. **Contingent liabilities as at 31.3.2006**
 - (i) The Company has filed a writ petition in Punjab & Haryana High Court against the decision of Punjab Govt. of levying Infra-Structure Tax @ 1% on domestic sales, the amount of which is not quantifiable. However the company has paid the tax for the year under audit.
11. **Compliance with Accounting Standard**
 - (i) **AS-18 Related party transaction**
Details pertaining to related party transaction in respect of key managerial personnel of the company are as follow: -

(a)	Shri Chaman Lal Setia	Chairman cum Managing Director.
(b)	Shri Vijay Setia	Executive Director
(c)	Shri Rajeev Setia	Executive Director
(d)	Shri Sukarn Setia	Executive Director
 - (i) Remuneration paid to chairman & Managing Director and executive director is Rs 319163/- and Rs870174/- respectively.
The Company has not entered into any transaction with relative of key managerial personnel.
 - (ii) **AS-20 Earning per share**
As there is no potential equity share outstanding and as such the diluted earning Per share is same as basic earning per share.
EPS = Rs.1.80



(iii) AS-22 Deferred Taxes

In accordance with the accounting standard AS-22 the deferred tax has been accounted for during the year ended 31.03.06. The deferred tax Assets upto 31.03.2001 amounting to Rs 2902273/- has been credited to Revenue Reserve and disclosed separately. The deferred tax liability related to current year is Rs 400000/- which has been set off against the above said amount.

The deferred taxes has arisen only on account of difference in depreciation allowable under Income Tax Act and as per books.

(iv) AS-19 Segmental Reporting

The Company has only one business segment namely rice. There is no different geographical segment.

12. The provisions of section 205C of the Companies Act 1956 regarding Investor education and protection fund are not applicable in the year under audit.
13. The provisions of the Industries (Development and Regulation) Act, 1951, relating to licensed capacity are not applicable to the Company. The installed capacities in metric tonnes per hour are as under:
Amritsar (Leased) 2 MT Rice per hour.
Karnal 6 MT Rice per hour.
The installed capacity is as certified by the management and relied upon by the Auditors, being a technical matter
14. Stores & Spares are charged to Profit & Loss at time of Purchase and no inventory in respect of these is being maintained.
15. There was no payment exceeding Rs One Lac due to any small scale industrial undertaken.
16. Additional Information Pursuant to the Provisions of paragraphs 3 & 4 of part II of Schedule VI to the Companies Act 1956: -
17. Company received subsidy from APEDA against installation of Sortex Machine after 31.03.2006 which has been accounted for as receivable and credited to relevant fixed assets account as on 31.03.2006

(A) Licensed and installed Capacity, Actual Production and Opening Stocks :

	31.03.2006	31.03.2005
Licensed Capacity (per hour)	8 MT	8 MT
Installed Capacity (per hour)	8 MT	8 MT
Actual Production (In Qtls)	355655	262231
Quantitative Stocks (In Qtls)		
Opening Stock as at	Closing Stock as at	

01.04.04	01.04.05	31.03.05	31.03.06
117772	116323	116323	130037

Value of Imports calculated on CIF Basis Rs.Nil

(B) Expenditure in Foreign Currency

- (i) Travelling Expenses Rs. 1367098/-
- (ii) Export Commission Rs 1911021/-

(C) Earning in Foreign Exchange

FOB Value of Export Rs. – 304563847/-

(D) Raw Material Consumed : (In Qtls)

31.03.06		31.03.05	
Quantity	Value	Quantity	Value
553110	654292894	388215	615124042

18. Previous Years figures have been regrouped & rearranged where ever considered necessary to present Balance Sheet as near as possible to the schedule VI.



CASH FLOW STATEMENT FOR YEAR ENDING 31.03.2006

	AMOUNT 31.03.06	AMOUNT 31.03.05
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	23018012	20716608
ADJUSTMENT FOR:-		
DEPRECIATION/AMORTISATION	9180306	8588630
INTEREST/DIVIDEND RECEIVED	596013	686834
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	31602305	28618404
ADJUSTMENT FOR:		
TRADE AND OTHER RECEIVABLES	5152832	18630564
INVENTORIES	134522352	-99571290
TRADE PAYABLES	-32626575	28018525
CASH GENERATED FORM OPERATION	138650914	24303797
DIVIDEND /ADJUSTED	18559000	31201000
DIRECT TAXES PAID	5374396	8060737
CASH FLOW BEFORE EXTRAORDINARY ITEMS	114717518	-63565534
EXTRAORDINARY ITEMS	0	0
NET CASH FROM OPERATING ACTIVITIES:	114717518	-63565534
B) CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	13070786	19881712
SALE OF FIXED ASSETS	3705437	697766
ISSUE EXPENSES	0	0
PURCHASE OF INVESTMENTS (Net)	3606769	0
SALE OF INVESTMENTS	0	171292
INTEREST RECEIVED	596013	686834
DIVIDEND PAID	504390	0
NET CASH USED IN INVESTING ACTIVITIES	5850203	19023586
C. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE OF SHARE CAPITAL	3691047	4752725
PROCEEDS FROM BORROWINGS	-103982108	79251971
REPAYMENT OF FINANCE LEASE LIABILITIES	0	0
NET CASH FROM FINANCING ACTIVITIES	-100291061	84004696
NET INCREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS AS AT 01.04.2005 (OPENING BALANCE)	32415803	31000223
CASH AND CASH EQUIVALENTS AS AT 31.03.2006 (CLOSING BALANCE)	33961763	32415803

For and on behalf of Board

Place : Amritsar
Date : 18.08.2006

CHAMAN LAL SETIA
Chairman Cum Managing Director

RAJEEV SETIA
Whole Time Director

AUDITOR'S CERTIFICATE

We have verified the above cash flow statement of CHAMAN LAL SETIA EXPORTS LTD. derived from the audited financial statements for the year ended March 31st, 2006 and found the same to be drawn in accordance there with and also with the requirments of the listing agreement with stock exchanges.

For **Rajesh Kapoor & Co.**
Chartered Accountants
Rajesh Kapoor
Prop.

Place : Amritsar
Date : 18.08.2006



**INFORMATION PURSUANT TO PART IV OF
SCHEDULE VI TO THE COMPANIES ACT 1956.**

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Registration Details

Registration No.	15083	State Code	16
Balance Sheet Date	31.03.2006		

Capital raised during the year (Amount in Rs.Lacs)

Public Issue*	36.91	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

Position of mobilisation and Development of Funds(Amount in Rs. Lacs)

Total Liabilities	4507.36	Total Assets	4507.36
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Source of Funds

Paid up capital	936.62	Reserve & Surplus	1271.56
Secured Loans	1145.57	Unsecured Loans	1153.60

Application of Funds

Net Fixed Assets	576.83	Investments	39.99
Net Current Assets	3890.36	Misc Expenditure	0.18
Accumulated Losses	Nil		

Performance of the Company (Amount in Rs.lacs)

Turnover	8101.92*	Total Expenditure	7871.74
Profit before Tax	230.18	Profit after Tax	166.18
Earnings per shares	Rs. 1.80	Dividend rate %	20%

* Including other income

* Calls in arrears

Generic Names of Two Principal Products of Company

Item Code No.	(ITC CODE)	100630.02
Product Description		Rice Basmati
Item Code No.	(ITC CODE)	100630.01
Product Description		Parboiled Rice

AS PER OUR REPORT OF EVEN DATE

RAJESH KAPOOR
PROP

CHAMAN LAL SETIA
CHAIRMAN CUM MANAGING DIRECTOR

FOR RAJESH KAPOOR & CO.
CHARTERED ACCOUNTANTS

RAJIV SETIA
EXECUTIVE DIRECTOR

PLACE : AMRITSAR
DATE : 18.08.2006





Chaman Lal Setia Exports Ltd.

CHAMAN LAL SETIA EXPORTS LIMITED

Regd. Office : Miran Court Road, P.O. Central Jail, Amritsar

ATTENDANCE SLIP

Shareholders attending the meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the Meeting Hall.

I, hereby record my presence at the 12th ANNUAL GENERAL MEETING of the Company at Miran Court Road, P.O. Central Jail, Amritsar on Friday 29th Sept. 2006 at 5:00 P.M

Full Name of the Shareholder/proxy

(In Block letters)

Folio No.

CHAMAN LAL SETIA EXPORTS LIMITED

Regd. Office : Miran Court Road, P.O. Central Jail, Amritsar

PROXY FORM

I/We of

..... in the district of Being a member / members of

the above named Company, hereby appoint

of of in the district of as my/our proxy to vote for me/

us/on my/our behalf at the general meeting of the company to be held on the day

of 2006 and at any adjournment thereof.

Signed this day of 2006

Affix a
Rs. 1
Revenue
Stamp

This form is to be used the resolution. Unless otherwise instructed.

*Strikeout which is not desired.



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