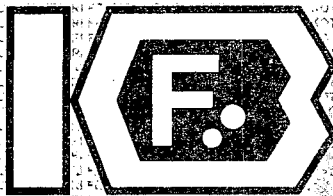


19th Annual Report 2008-2009



KOTHARI FERMENTATION AND BIOCHEM LIMITED

KOTHARI FERMENTATION AND BIOCHEM LIMITED



BOARD OF DIRECTORS

Moti Lal Kothari	<i>Chairman & Managing Director</i>
Pramod Kumar Kothari	<i>Whole-time Director</i>
Prasanna Kumar Pagaria	<i>Non Executive Independent Director</i>
Ratan Lal Dudheria	<i>Non Executive Independent Director</i>
Mal Chand Sharma	<i>Non Executive Independent Director</i>

COMPANY SECRETARY & COMPLIANCE OFFICER

Ajay Kumar Trivedi

BANKERS

State Bank of Bikaner & Jaipur
ICICI Bank Ltd.

AUDITORS

NAHATA JAIN & ASSOCIATES
Chartered Accountants
New Delhi

REGISTERED OFFICE

1st Floor, 16, Community Centre, Saket,
New Delhi - 110 017

FACTORY

Village Rajarampur
Industrial Area, Sikandrabad
Distt. Bulandshar (U.P)

SHARE TRANSFER AGENT

Abhipra Capital Limited
Ground Floor - Abhipra Complex,
Dilkhush Industrial Area,
A-387, G.T. Karnal Road,
Azadpur, Delhi - 110 033

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KOTHARI FERMENTATION AND BIOCHEM LTD.

Regd. Office: 16, Community Centre, 1st floor Saket, New Delhi - 110 017.

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the NINETEENTH ANNUAL GENERAL MEETING of the members of "KOTHARI FERMENTATION AND BIOCHEM LIMITED" will be held on Wednesday, the 30th day of September, 2009 at 9:30 A.M. at "Bipin Chandra Pal Memorial Trust Auditorium", Satindra Mohandev Charitable Medical Centre, A-81, Chittranjan Park, New Delhi-110019, to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended on 31st March, 2009 and the Balance Sheet as at 31st March, 2009 together with Reports of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Prasanna Kumar Pagaria who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint the auditors and to fix their remuneration. M/s Nahata Jain & Associates, Chartered Accountants, New Delhi are retiring at the ensuing Annual General Meeting and are eligible for re-appointment.

AS SPECIAL BUSINESS

To consider and if thought fit to pass with or without modification(s), the following resolutions:

AS A SPECIAL RESOLUTION

4. **"RESOLVED** that pursuant to the provisions of sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals including of Central Government if necessary, consent of the shareholders of the Company be and is hereby accorded to the appointment and remuneration of Mr. Moti Lal Kothari, as Managing Director of the Company for a period of five years w. e. f. September 1, 2009 on the terms and conditions as set out below:
 - a) Salary Rs. 20,000/- per month under the scale of Rs. 20,000-5000-40000. The annual increment will be effective from September 1 each year and will be decided by the Board of Directors/ its Committee each year.
 - b) Provision of accommodation or payment of HRA in lieu thereof, subject to maximum of 60% of salary. Expenses on maintenance and furnishing of accommodation including watchmen, servant, gas, electricity and water shall be borne by the Company.
 - c) The Company shall provide car with driver and incur all expenses for the same for the Company's business. However if the car is used for private purposes, the perquisite shall be computed as per Income Tax Act, 1961.
 - d) Mobile phone and Telephone at residence shall be provided for official purpose. However, the Managing Director shall pay for all the long distance personal calls.
 - e) The Company shall reimburse medical and hospital Expenses incurred for self and family members.
 - f) Personal accident insurance as per the rules of the Company
 - g) Reimbursement of leave travel concession to self and his family once in a year.
 - h) The Managing Director will not be paid any sitting fee for attending the meeting of the Board of Directors or Committee(s) thereof."

"RESOLVED FURTHER that the Board of Directors or any Committee thereof be and is hereby authorized to fix, the salary payable to Managing Director within above maximum limit, increasing/decreasing thereby allowances, perquisites and other benefits related to the quantum of salary and in the event of absence or inadequacy of net profit in any financial year, during the currency of tenure of Managing Director, the remuneration payable to him shall be governed by Section 11 of Part II of Schedule XIII of the Companies Act, 1956, or any modification or re-enactment thereof."

AS A SPECIAL RESOLUTION

5. **"RESOLVED** that pursuant to the provisions of sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such Approvals including of Central Government if necessary, consent of the shareholders of the Company be and is hereby accorded to the appointment and remuneration of Mr. Pramod Kumar Kothari, as Managing Director of the Company for a period of five years w. e. f. September 1,



KOTHARI FERMENTATION AND BIOCHEM LIMITED

2009 on the terms and conditions as set out below:-

- a) Salary Rs. 25,000/- per month under the scale of Rs. 25,000-5000-45000. The annual increment will be effective from September 1 each year and will be decided by the Board of Directors/ its Committee each year.
- b) Provision of accommodation or payment of HRA in lieu thereof, subject to maximum of 60% of salary. Expenses on maintenance and furnishing of accommodation including watchmen, servant, gas, electricity and water shall be borne by the Company.
- c) The Company shall provide car with driver and incur all expenses for the same for the Company's business. However if the car is used for private purposes, the perquisite shall be computed as per Income Tax Act, 1961.
- d) Mobile phone and Telephone at residence shall be provided for official purposes. However, the Managing Director shall pay for all the long distance personal calls.
- e) The Company shall reimburse medical and hospital expenses incurred for self and family members.
- f) Personal accident insurance as per the rules of the Company.
- g) Reimbursement of leave travel concessions to self and his family once in a year.
- h) The Managing Director will not be paid any sitting fee for attending the meeting of the Board of Directors or Committee(s) thereof."

RESOLVED FURTHER that the Board of Directors or any Committee thereof be and is hereby authorized to fix, the salary payable to Managing Director within above maximum limit, increasing/decreasing thereby allowances, perquisites and other benefits related to the quantum of salary and in the event of absence or inadequacy of net profit in any financial year, during the currency of tenure of Managing Director, the remuneration payable to him shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 or any modification or re-enactment thereof."

NOTES

1. a) A member entitled to attend and vote at the Annual General Meeting, is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company. However, the company shall have the right to fully verify the identity of proxy.
b) Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.
c) Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
2. Members attending the meeting are requested to bring their copy of Annual Report, as extra copies will not be supplied.
3. Members who are holding physical shares in identical names in more than one folio are requested to write to the Company/ Share Transfer Agent to enable the Company to consolidate their holdings in one folio. Further, members are also requested to immediately notify to the Company/Share Transfer Agent any change in their address with the postal area pin code number quoting their folio number.
4. Register of Members of the Company will remain closed from Tuesday, the 15th September 2009 to Wednesday, the 30th September 2009 (both days inclusive) for the purpose of Annual General Meeting.
5. All documents referred to in the notice are open for inspection at the registered office of the company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of meeting.
6. Demat facility: The shares of the company fall under the category of compulsory delivery in dematerialized form by all categories of investors. The company had signed agreements with both the Depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Limited. The company's shares bear ISIN INE991B01010 with both the depositories. The shareholders are requested to get their shares in Demat form.
7. Pursuant to the provisions contained in Section 205A and 205C of the Companies Act, 1956, the company had transferred dividend remaining unclaimed for a period of seven years from the date it first became due for payment, to The Investor Education and Protection Fund (IEPF) constituted by the Central Government and no claim shall lie against the IEPF or the company in respect of individual amount(s) so credited to the IEPF. Further, no amount of dividend etc. is due to be transferred to IEPF during the current year.
8. Shareholders seeking any information with regard to accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready at the time of Annual General Meeting.
9. The Management is confident of shareholders' co-operation for smooth conduct of the meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO. 4 & 5**

Mr. Moti Lal Kothari is Managing Director since 10.04.1992 and Mr. Pramod Kumar Kothari is Whole Time Director of the company since 01.04.1992. The terms and conditions of their appointment were revised for five years w.e.f. 01.09.2004 by passing the special resolutions by the shareholders at the AGM held on 30.09.2004. Their term will expire on 31.08.2009. The board of directors decided to reappoint Mr. Moti Lal Kothari as Chairman & Managing Director. Since Mr. Pramod Kumar Kothari has also gradually started looking after over all supervision and management of the Company along with Mr. Moti Lal Kothari, hence the Board decided to appoint Mr. Pramod Kumar Kothari as another Managing Director for a period of five years w. e. f. 01.09.2009 on the terms and conditions contained in the resolution, in accordance with the provisions of Schedule XIII to the Companies Act, 1956 and other provisions of the Act.

As per Part I of Schedule XIII, the person who has attained the age of 70 years can be appointed as the Managerial person, with the approval of shareholders by passing a special resolution. The age of Mr. Moti Lal Kothari is 73 years, so the resolution has been proposed as a Special Resolution.

The directors recommend the resolutions as special resolutions for your approval. None of the Directors except Mr. Moti Lal Kothari and Mr. Pramod Kumar Kothari are concerned or interested in the resolution.

The explanatory statement read with proposed resolutions may be treated as the abstracts of the terms of appointments and memorandum of interest u/s 302 of the Companies Act. 1956.

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES.

Mr. Prasanna Kumar Pagaria aged about 46 years is a Commerce Graduate. He is a businessman in Delhi. He was appointed as director of the company on 31-10-2001.

Mr. Moti Lal Kothari aged about 73 years is a commerce graduate from Guwahati University, a renowned businessman. He has a very vast experience of Trade & Industry. Mr. Moti Lal Kothari is the Promoter Director and has been associated with the company since incorporation.

Mr. Pramod Kumar Kothari aged about 44 years is an Engineer and has the experience of Business, Trade and Industry for over 20 years. Mr. Pramod Kumar Kothari is also the Promoter Director and has been associated with the Company since incorporation.

Regd. Office:

1st Floor, 16, Community Centre,
Saket, New Delhi – 110 017

By order of the Board
For **KOTHARI FERMENTATION & BIOCHEM LTD.**

AJAY TRIVEDI
Company Secretary

Dated : 28th August, 2009



KOTHARI FERMENTATION AND BIOCHEM LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF
KOTHARI FERMENTATION AND BIOCHEM LTD.

Your directors are pleased to present the 19th Annual Report together with the Audited Accounts for the year ended on 31st March 2009:

1. FINANCIAL RESULTS

(Rs. in lacs)

	2008-2009	2007-2008
TURNOVER:		
MANUFACTURING	1914.46	998.83
TRADING	412.50	—
PROFIT BEFORE INTEREST & DEPRECIATION	223.23	449.09
INTEREST	14.38	29.74
DEPRECIATION	110.64	88.44
PROFIT BEFORE TAX	98.21	330.91
TAX - Fringe Benefit	3.72	2.96
NET PROFIT/ (LOSS) AFTER TAX	94.49	327.95

2. OPERATIONS

During the year, the capital expenditure on balancing equipments has resulted in better utilization of plant & machineries. Various steps have been initiated for increasing production and improving operating efficiencies. The Company had undertaken trading activities during the year 2008-09 and had two segments i.e. manufacturing of yeast and trading of commodities.

The company achieved production of 5185 MT during 2008-09 as compared to 2627 MT in previous year. Resultantly the turnover of the company from manufacturing activities was increased to Rs. 1914.46 Lacs during the year 2008-09 as compared to Rs. 998.83 Lacs during previous year. The Company undertook trading activities during the year 2008-09 resulting in turnover of Rs. 412.50 Lacs. The profitability of the company was Rs. 94.49 Lacs during the year 2008-09 as compared to profit of Rs. 327.95 Lacs during previous year. Dividend for the year has not been proposed in order to plough back the profit for growth of the Company.

3. CURRENT YEAR'S OUTLOOK

The recent investment made in plant & machineries will result in increase utilization of production capacity of the Plant. Various steps have been taken for cost reduction and improving operating efficiencies. During the year, major installations of multi effect evaporator, agro fuel based boiler and Effluent Treatment RO Plant have been completed. This may have also an impact on the profits of the Company during the current year.

The rehabilitation scheme sanctioned by H'ble BIFR, was came into effect from 26.03.2008 and its provisions were binding on all concerned. The Company has been ceased to be a Sick Industrial Company and discharged from the provisions of SICA/BIFR vide letter dated 15.09.2008 of Hon'ble BIFR. The Company and promoters have complied with all its obligations under the Scheme, accordingly the promoters and group companies have brought in funds in the shape of equity share capital amounting to Rs.890.50 Lakhs by subscribing to fully paid up equity shares, numbering 8905000 @ Rs.10/- each. The equity shares have been issued to them during 2008-09. Further, the modification of ETP and replacement of old machineries had been already completed.

In view of above it is expected that the production and profitability of the company shall improve during the current year at large.

4. FIXED DEPOSITS

The Company has not accepted any deposit from public during the year under review, which would fall under section 58-A of the Companies Act, 1956.

5. DIRECTORS

In accordance with the provisions of the Companies Acts, 1956 and the Articles of Association of the Company, Mr. Prasanna Kumar Pagaria is retiring from the Board by rotation and being eligible offers himself for reappointment. The Board recommends re-appointment of Mr. Prasanna Kumar Pagaria as director of the Company.

Mr. Moti Lal Kothari is Managing Director since 10.04.1992 and Mr. Pramod Kumar Kothari is Whole Time Director of the company since 01.04.1992. The terms and conditions of their appointments were revised for five years w.e.f. 01.09.2004 by passing the special resolutions by the shareholders at the AGM held on 30.09.2004. Their term will expire on 31.08.2009. The board of directors decided to reappoint Mr. Moti Lal Kothari as Chairman & Managing Director and appoint Mr. Pramod Kumar Kothari also as Managing Director for a period of five years w.e.f. 01.09.2009 on the terms and conditions contained in the resolution, in accordance with the provisions of Schedule XIII to the Companies Act, 1956 and other



KOTHARI FERMENTATION AND BIOCHEM LIMITED

provisions of the Act. The required resolutions and the explanatory statement are provided in the notice of Annual General Meeting. The Board recommends the re-appointment of Mr. Moti Lal Kothari as Chairman & Managing Director and appointment of Mr. Pramod Kumar Kothari also as Managing Director.

6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The statement containing the necessary information under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is annexed to this report as Annexure-1.

7. PERSONNEL

Your company keeps harmonious relations with all its employees. No employee is drawing salary more than the limits prescribed under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

8. AUDITORS

M/s Nahata Jain & Associates, Chartered Accountants, statutory auditors of your company retire at the ensuing annual general meeting and being eligible offers themselves for re-appointment. The Board recommends their appointment as auditors from the conclusion of this meeting to the conclusion of next annual general meeting. The notes on accounts are self-explanatory with regards to auditors' observations.

9. LISTING OF SHARES

The company's shares are listed at Stock Exchanges situated at Delhi, Mumbai, Kolkata, Jaipur and Guwahati. The listing at Delhi and Mumbai is continued, and the listing fee has been paid upto date. Action has already been initiated for delisting of shares from stock exchanges at Kolkata, Jaipur, and Guwahati. All the formalities have been complied with in relation to delisting and as such the listing fee to these Stock Exchanges was not paid.

10. CORPORATE GOVERNANCE

The provisions of clause 49 of the listing agreement relating to corporate governance are applicable to the company. So there is a separate section on Corporate Governance in the annual report of the company, with a detailed compliance report on Corporate Governance.

11. MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion and Analysis (MDA), which forms part of this Report, inter-alia, deals adequately with the operations as also current and future outlook of the Company.

12. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Sec.217 (2AA) of the Companies Act, 1956 the directors hereby report:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) that the directors 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 at the end of the financial year 2008-09 and of the profit or loss of the company for that year.
- c) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities,
- d) that the directors have prepared the annual accounts on a going concern basis.

13. ACKNOWLEDGEMENTS

Your directors place on record their sincere appreciation for the wholehearted devotion and commitment extended by the employees at all levels, which has been a source of strength and inspiration to the company.

The directors also wish to thank and deeply acknowledge the cooperation, assistance and support extended by the shareholders, the dealers and vendors of the company, bankers and financial institution.

For and on behalf of the Board

Place : New Delhi
Date : 28th August, 2009

MOTI LAL KOTHARI
Chairman & Managing Director



KOTHARI FERMENTATION AND BIOCHEM LIMITED

ANNEXURE - I

INFORMATION AS PER SECTION 217 (1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2009.

(I) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

	FOR THE YEAR ENDED ON 31ST MARCH, 2009	FOR THE YEAR ENDED ON 31ST MARCH, 2008
1. CONSERVATION OF ENERGY POWER AND FUEL CONSUMPTION		
a) Electricity		
Units Consumed	5522200	28,10,820
Total Amount (Rs. in Lacs)	267.53	133.90
Rate/Unit Rs.	4.85	4.76
b) Furnace Oil/L.D.O.		
Quantity (litres)	30,700	3,56,300
Total Amount (Rs. in Lacs)	10.64	77.34
Average Rate per Ltr. (Rs.)	34.66	21.71
2. RESEARCH AND DEVELOPMENT		
Expenditure on R & D		
a) Capital (Rs. in lacs)	0.00	0.42
b) Recurring (Rs. in lacs)	5.82	4.75
c) Total (Rs. in lacs)	5.82	5.17
d) Total R & D expenditure as percentage of turnover of Manufacturing activity	0.30	0.52
3. FOREIGN EXCHANGE EARNINGS AND OUTGO.		
Foreign exchange earnings (Rs.in lacs)	—	—
Foreign exchange outgo (Rs.in lacs)	2.26	5.25

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management of Kothari Fermentation & Biochem Ltd. is pleased to present its seventh analysis report covering segment wise performance and out look.

Organizations in India are growing and even small organizations are seeking to move up the value chain. As companies grow, many find it difficult to retain the very characteristics that first led to their success- flexibility and strong customer relationships. Growing companies are often hampered by business systems that simply cannot keep up with the changing requirements. Your company has also been providing General Information System (GIS) implementation, Revenue Management Services to utilities over the past few years and continues to get new customers.

The company has businesses of two segments of Manufacturing Yeast and Trading activities of commodities during the year 2008-09.

Industry Structure and Developments

In Indian yeast Industry, there are three major companies manufacturing yeast in India, the other two companies are multi national companies. The Company is facing stiff competition from these multi national companies. We have an excellent team of technical and commercial professionals with expertise in yeasts manufacture and marketing. We have better quality of our products in comparison of products of these multi national companies and sustaining in the market.

Opportunities and Threats

The growth of yeast market is directly linked to the increasing trend of processed and fast food consumption, especially bakery items. As per the current trend, India is presently one of the most promising markets for Baker's yeast, as its demand is continuously increasing with the rise in population and changing demand of Bakery products. India's estimated per capita consumption of bread, as compared to other European and developing countries of Asia is far below the lowest.

Due to presence of Multi National Companies (MNCs) in yeast industries in India, the competition in the market is fierce. Your Company, through continuous Research and Development efforts and quality of its products has been able to compete with such multinational companies.



The Company is planning to install a Power Plant in the factory during the current year and if the plant is installed in the factory, it would drastically reduce the power cost.

The Company's proposal for sanction of financial facilities is in advance stage of sanction by the State Bank of Bikaner & Jaipur and once these financial facilities are sanctioned and utilized, the Company expects to have increased turnover and profitability of the Company.

Segment wise Performance

There were two segments in the company during 2008-09, i.e. manufacturing of yeast and trading of commodities. The comparison of financial data with previous year's data, is provided under the heading "Discussion on Financial Performance with respect to Operational Performance" later in this Report.

Future Outlook

The company is regularly reviewing its whole structure and making changes for future improvements. Your directors are confident of increase in production during the current year. Various steps have been initiated for cost reduction and improving operating efficiencies. The Company expects to earn more profits in current year by higher production and efficiency. The BIFR had sanctioned rehabilitation scheme vide its order dated 26.03.2008 as amended. The Company and promoters have complied with all its obligations under the Scheme. The Company has been ceased to be a Sick Industrial Company and discharged from the provisions of SICA/BIFR vide letter dated 15.09.2008 of Hon'ble BIFR. The Company will focus on business growth by best quality of its product.

Risks and Concerns

The company faces stiff competition with the multi national companies. The MNCs with their financial strength can store good quantity of molasses during season period at lesser prices and also are able to provide the customers more credit for longer period. Once the Company's proposal for financial facilities is sanctioned by the State Bank of Bikaner & Jaipur, your Company would be able to compete with the multi national companies in a better way.

Your manufacturing industry is power intensive. Unscheduled power cuts and load shedding increase the production stops and consequently results in shifting to power generation by DG sets, which is comparatively costly. In view to mitigate the risk of power shortage, the company is planning to install a power plant in the factory during the current year.

Internal Control System and their adequacy

The Company has an internal control system with proper internal delegation of authority, supervision and checks and balances and procedures. This system is reviewed and updated periodically in order to improve upon it and to meet the business requirements. The Board of Directors, Audit Committee and the Management ensure that the internal control system operate effectively within the organisation. Internal Audit team keeps on reviewing the adequacy of internal control systems and suggests necessary checks and balances to increase the effectiveness of the system.

Discussion on Financial Performance with respect to Operational Performance

S. No.	Particulars	2008-09 (Rs. in lacs)			2007-08 (Rs. in lacs)		
		Manufacturing of Yeast	Trading of Grains	Total 2008-09	Manufacturing of Yeast	Trading of Grains	Total 2007-08
1.	Segment Revenue	1914.46	412.50	2326.96	998.83	—	998.83
2.	Segment Depreciation	110.64	—	110.64	88.44	—	88.44
3.	Segment Interest	14.38	—	14.38	29.74	—	29.74
4.	Segment Results	92.06	6.15	98.21	330.91	—	330.91

Material Developments in Human Resources/Industrial Relations Front, including number of people employed

The Company believes that the competence and commitment of its people are the key drivers for growth of any organization. There have been excellent relations between the employees at various levels and the management. The Company responds to genuine grievances of employees in order to foster warm and cordial relationships between the management and the employees, increase job satisfaction of employees and ensure that employees can add value to their lives. There were 140 persons directly employed by the Company during the previous financial year on an average basis

For and on behalf of the Board

Place : New Delhi
Date : 28th August, 2009

MOTI LAL KOTHARI
Chairman & Managing Director



REPORT ON CORPORATE GOVERNANCE

The Board of Directors of the Company lays great emphasis on the broad principles of Corporate Governance. The report on corporate governance for the year 2008-09 is given below:

1. Company's Philosophy on Code of Governance:

During the last seven years, since the requirement of clause 49 of the Listing Agreement became applicable to the company, there has been continuous review of its corporate governance practices to ensure adherence to the latest corporate developments and conform to the corporate governance practices prescribed by the authorities. Effective Corporate Governance must balance individual interest with corporate goals and operate within accepted norms of proprietary, equity, fair play and sense of justice. Achieving this balance depends upon the accountability and transparency. Accountability improves decision-making and transparency helps to explain the rationale behind decisions, and thereby builds shareholders and other stakeholders' confidence.

2. Board of Directors:

- (i) The Board of Directors consisted of five directors viz. Mr. Moti Lal Kothari (Chairman), Mr. Pramod Kumar Kothari, Mr. Prasanna Kumar Pagaria, Mr. Ratan Lal Dudheria and Mr. Mal Chand Sharma. Mr. Moti Lal Kothari and Mr. Pramod Kumar Kothari are the executive directors and the other three directors are Independent Non-Executive directors. The company, therefore, meets the composition criteria. Mr. Moti Lal Kothari looks after finance and overall management of the company, and Mr. Pramod Kumar Kothari looks after the technical and marketing functions of the company. The appointment of Mr. Moti Lal Kothari & Mr. Pramod Kumar Kothari was approved for a period of five years by the shareholders in the AGM held on 30th September 2004. The tenure of these two directors expires on 31.08.2009 and it is proposed to re-appoint Mr. Moti Lal Kothari as Chairman & Managing Director and appoint Mr. Pramod Kumar Kothari also as Managing Director for another period of five years. The required resolutions and the explanatory statement are provided in the notice in this annual report.

Composition & Category of Directors

Particulars	Number of Directors	Percentage of composition
Executive Director	2	40%
Non-executive Independent Director	3	60%
Total	5	100%

- (ii) During the year under review, 12 Board meetings were held and conducted on April 15, 2008, April 30, 2008, May 2, 2008, July 14, 2008, July 30, 2008, August 1, 2008, August 21, 2008, October 25, 2008, October 27, 2008, January 31, 2009, February 9, 2009 and March 31, 2009. The composition of Board of Directors, attendance of directors at the board meetings and Annual General Meeting as also the number of other directorships in Indian Public Limited Companies and memberships of the committees of the Board of such companies are as follows:

Name of the Director	Category of Director	Attendance at last AGM	No. of Board meetings attended	No. of other Directorships#	Other Board's Committees	
					Chairman	Member
Mr. Moti Lal Kothari	Executive Promoter director	Yes	12	1	NIL	NIL
Mr. Pramod Kothari	— Do —	Yes	12	1	NIL	NIL
Mr. Prasanna Kumar Pagaria	Independent non-executive director	Yes	12	NIL	NIL	NIL
Mr. Mal Chand Sharma	— Do —	No	6	NIL	NIL	NIL
Mr. Ratan Lal Dudheria	— Do —	No	8	NIL	NIL	NIL

Number of other Directorships held in Public Limited Companies.

- (iii) Disclosure of relationships between directors inter-se

Name of the Director	Designation of Director	Relationships Inter-se
Mr. Moti Lal Kothari	Chairman & Managing Director	Father of Mr. Pramod Kothari, who is a Wholetime Director of the Company
Mr. Pramod Kumar Kothari	Whole-time Director	Son of Mr. Moti Lal Kothari, who is a Chairman-cum-Managing Director of the Company
Mr. Prasanna Kumar Pagaria	Non-executive Independent Director	No Relationship Inter se
Mr. Mal Chand Sharma	Non-executive Independent Director	No Relationship Inter se
Mr. Ratan Lal Dudheria	Non-executive Independent Director	No Relationship Inter se



3. Committees of the Board

There are three committees of the Board of Directors, which have been delegated adequate powers to discharge their respective functions. These Committees are – (i) Audit Committee, (ii) Remuneration Committee, (iii) Shareholders’ Investors’ Grievance Committee. The details of these committees are as follows:

(i) Audit Committee

• **Terms of Reference**

As per clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, an Audit Committee exists in the company which has been delegated all the requisite functions and powers. The committee also approves the internal audit program and discusses with internal auditors and statutory auditors, their observations, suggestions and findings, internal control system, scope of audit, other related matters. Audit Committee also advises the management on the areas where internal audit can be improved. It also discusses the major accounting policies followed by the company. The minutes of the Audit Committee meetings are regularly placed before the Board of Directors in their meeting and approved by them.

• **Composition**

The Committee was reconstituted on 23.8.2005 with Mr. Prasanna Kumar Pagaria as Chairman along with Mr. Ratan Lal Dudheria and Mr. Mal Chand Sharma, as members. All three of them are non-executive independent directors. Permanent invitees to the committee include Mr. Moti Lal Kothari, Managing Director, who is also the Director In-charge of Finance, the Statutory Auditors and the internal Auditors. The company secretary is the Secretary of the committee. The Committee met 5 times during the year and the attendance at the meetings was as follows:

Name of the Member	Status	No. of Meeting attended
Mr. Prasanna Kumar Pagaria	Chairman	5
Mr. Mal Chand Sharma	Member	3
Mr. Ratan Lal Dudheria	Member	3

• **Whistle Blower Policy**

The Company has communicated to all its employees the “Whistle Blower Policy” and the Company has not denied any personnel, access to the audit committee of the Company (in respect of matters involving alleged misconduct) and that it has provided protection to “Whistle Blowers” from unfair termination and other unfair or prejudicial employment practices.

(ii) Remuneration Committee

• **Terms of Reference**

The Board of Directors reconstituted the Remuneration Committee on 23.8.2005 with Mr. Prasanna Kumar Pagaria as Chairman along with Mr. Ratan Lal Dudheria and Mr. Mal Chand Sharma, all three non-executive independent directors. The powers of Remuneration Committee are to recommend and approve the remuneration payable to Whole – Time Director & Managing Director and also to review and approve recruitment policy, compensation package including annual increments, promotions etc. of senior executives.

• **Composition**

The committee consists of three non-executive independent directors viz. Mr. Prasanna Kumar Pagaria, Mr. Ratan Lal Dudheria and Mr. Mal Chand Sharma. One meeting of the committee was held during the year and the attendance at the meeting was as follows:

Name of the Member	Status	No. of Meeting attended
Mr. Prasanna Kumar Pagaria	Chairman	1
Mr. Ratan Lal Dudheria	Member	1
Mr. Mal Chand Sharma	Member	1

• **Remuneration Policy**

The Remuneration payable to the directors and employees is linked with the performance of the company.



KOTHARI FERMENTATION AND BIOCHEM LIMITED

Details of Remuneration paid to directors for the year 2008-2009

(a) Executive Directors:

PARTICULARS	MR. MOTI LAL KOTHARI (Rs.)	MR. PRAMOD KOTHARI (Rs.)
Salaries	1,80,000	1,20,000
TOTAL	1,80,000	1,20,000

The above Executive Directors are proposed to be re-appointed/ appointed as Managing Directors for a period of five years w.e.f. 1st September, 2009 at the AGM to be held on 30.9.2009. The appointment and the remuneration payable to them during this term has been recommended by the Remuneration Committee and approved by the Board of Directors in their meeting held on 28th August, 2009.

(b) Non- Executive Directors:

No Remuneration was paid to Non-executive Directors during the year 2008-09. Further no sitting fee was paid to the non-executive directors during the year 2008-09.

(iii) Shareholders'/Investors' Grievance Committee:

• Terms of Reference and Composition

The Board of Directors reconstituted the "Shareholders'/Investors' Grievance Committee" in its meeting held on 29.08.2003. The Committee deals with all the work relating to transfer & transmission of shares and redressal of shareholder and investors' complaints like transfer of shares, non-receipt of balance sheet, change of address, etc. The Committee is comprised of three Directors viz. Mr. Prasanna Kumar Pagaria, Mr. Pramod Kumar Kothari and Mr. Moti Lal Kothari with Mr. Prasanna Kumar Pagaria (Non-Executive Director) as the Chairman of the committee. Mr. Ajay Trivedi is the Company Secretary-cum-Compliance Officer of the Company.

• Shareholders complaints and disposal thereof

complaints of the shareholders are either addressed to the company secretary or share transfer agents of the company i.e. Abhipra Capital Limited. The status of pending shareholder/s/ investor's complaints is regularly reviewed at the Shareholders'/Investors' Grievance Committee Meeting as well as in the board meetings itself on quarterly basis. There was no investor complaint pending as on 31.03.2009.

As per clause 47 (f) of the Listing Agreement an E-Mail ID (i.e. kfb1@airtelmail.in) has been designated especially for the redressal of the shareholders' and investors' grievances, by the company. The mails are periodically reviewed by the Committee.

Investor Grievance Received and Attended During the Year 2008-09

S.No.	Nature	Opening	Received	Attended	Pending
1.	Non-receipt/ Loss of share certificate	Nil	4	4	Nil
2.	Letters from Stock Exchange, SEBI, etc.	Nil	2	2	Nil
3.	Non-receipt of Dividend/ Balance-Sheet	Nil	Nil	Nil	Nil
4.	Others (Change of Address, Demat., etc.)	Nil	17	17	Nil

The Company generally attends all queries of investors within a period of fortnight from the date of receipt.

• Pending Share Transfers

There was no pending share transfer as on 31.03.2009.

4. Annual General Meetings

AGM	YEAR	VENUE	DATE	TIME
18th	2007-2008	"Convention Center" JAMIA HAMDARD,	30.09.2008	09:30 A.M.
17th	2006-2007	Hamdard Nagar, Near Majidia Hospital,	29.09.2007	10:00 A.M.
16th	2005-2006	New Delhi-110062	30.09.2006	10:00 A.M.

No resolution requiring Postal Ballot under section 192A of the Companies Act, 1956 was placed before the last AGM. Similarly, no special resolution requiring a postal ballot is being proposed at the ensuing AGM.

No Special Resolution was passed in previous three Annual General Meetings



KOTHARI FERMENTATION AND BIOCHEM LIMITED

5. Disclosures

- (i) The Company has no subsidiary company. The transactions with the related parties, in which directors, relatives or the management, etc., are interested, have been incorporated in Schedule "N": Notes forming part of Accounts, as per Accounting Standard 18.
- (ii) No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any Statutory Authority on any matter related to capital markets for non-compliance by the company during the last three years.
- (iii) Financial statements of the company are prepared in accordance with the Accounting Standard as issued by the ICAI. The deferred tax assets / liabilities (AS-22) have not been recognised by way of prudence.
- (iv) The Board for Industrial and Financial Reconstruction (BIFR) declared the company as a sick company vide its order dated 09.11.2005 under the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The BIFR sanctioned rehabilitation scheme vide its order dated 26.03.2008 as amended. The Company and promoters have complied with all its obligations under the Scheme. Accordingly, the promoters and group companies have brought in funds in the shape of equity share capital amounting to Rs. 890.50 Lakhs by subscribing to fully paid-up equity shares, numbering 8905000 @ Rs. 10/- each, which have been used under the sanctioned scheme for repayment of loan and addition to fixed assets. The equity shares have been issued to them during the year 2008-09. The Company has been ceased to be a Sick Industrial Company and discharged from the provisions of SICA/BIFR vide letter dated 15.09.2008 of Hon'ble BIFR.

6. Means of Communication

Half-yearly report sent to each shareholder	The results of the company are published in newspapers and sent to Stock Exchanges. The results are also displayed at the websites of SEBI www.sebiedifar.nic.in and of Mumbai Stock Exchange www.bseindia.com .
Quarterly results	Do
Which newspaper normally published in	"Business Standard", "Veer Arjun"
Any website where displayed	www.sebiedifar.nic.in and www.bseindia.com
Whether it also displays official news releases	Yes
The presentations made to institutional investors or to the analysts	None during the year
Whether MD & A is a part of annual report or not	Yes, forms part of annual report

7. General Shareholder Information

(i) 19th Annual General Meeting:

Venue : "Bipin Chandra Pal Memorial Trust Auditorium",
Satindra Mohandev Charitable Medical Centre,
A-81, Chittranjan Park, New Delhi-110019

Time : 9:30 A.M.

Day & Date : Wednesday, the 30th day of September, 2009

(ii) Financial Calendar:

Financial Year 2008 -09			
1.	First Quarterly Results	(Unaudited - Limited Review)	July 2009
2.	Second Quarterly Results	Do	October 2009
3.	Third Quarterly Results	Do	January 2010
4.	Fourth Quarterly Results	Do	April 2010
5.	Annual Results	(Audited)	August 2010



KOTHARI FERMENTATION AND BIOCHEM LIMITED

(iii) Book Closure

Share Transfer Books and Register of Members shall remain closed from Tuesday, the 15th September 2009 to Wednesday, the 30th September 2009 (both days inclusive).

(iv) Dividend Payment Date

The Board of Directors has not recommended any dividend during the year.

(v) Listing on Stock Exchanges and Stock Codes

S. No.	Name & Address of the Stock Exchange	Stock Code
1.	BSE, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai – 400 001.	507474
2.	The Delhi Stock Exchange Ltd., DSE House, 3/1 Asaf Ali Road, New Delhi – 110 002.	6395
3.	The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Kolkata – 700 001.	Applied for Delisting on 12th June, 2000
4.	Jaipur Stock Exchange Ltd., Stock exchange Building, Jawaharlal Nehru Marg, Malviya Nagar, Jaipur – 302 017.	————Do————
5.	Gauhati Stock Exchange Ltd., Saraf Building Annexe, A.T. Road, Gauhati – 781 001.	————Do————

Annual Listing Fees for the year 2009-2010 have been paid to BSE and Delhi Stock Exchange. The Listing Fees for other three stock exchanges have not been paid as the company has sought for delisting of its shares from these stock exchanges.

(vi) Market Price Data

Monthly high/low prices and trading volumes during the financial year 2008-09 on BSE are given hereunder:

Month	High	Low	No. of Trades	No. of Shares Traded
April 2008	13.79	11.45	293	41600
May 2008	15.00	10.54	485	75752
June 2008	15.00	10.25	303	32918
July 2008	12.89	7.77	387	34902
August 2008	13.00	8.30	438	37069
September 2008	12.99	7.98	136	9884
October 2008	8.69	5.89	100	11137
November 2008	6.89	5.72	77	12035
December 2008	8.85	6.51	83	9813
January 2009	9.29	7.68	35	7605
February 2009	10.02	8.56	22	2013
March 2009	9.35	8.45	4	170

(vii) Registrar and Transfer Agents

Abhipra Capital Limited,
Abhipra Complex,
Dikhush Industrial Area,
A-387, G.T. Karnal Road, Azadpur, Delhi – 110033
Tel. 27127362, 27249773

(viii) Share Transfer System

The Managing Director, Executive Director and the Company Secretary/ Compliance Officer are individually authorized to attend to share transfers and issue of duplicate share certificates once a fortnight.



The share transfers effected by the above delegated authority are approved by the Investors' Grievance & Share Transfer Committee once in a quarter.

The share transfer requests received in physical form by the Company or the Company's Registrar and Transfer Agent, are registered within a period of 15 to 30 days from the date of receipt. Requests for dematerialisation received from the shareholders are effected within a period of maximum 15 days. There was no pending share transfer request as on 31.3.2009.

(ix) Distribution of Shareholding

The distribution of shareholding as on 31st March 2009 was as follows:

S. No.	Nominal Value of Equity Shares held (Rs.)	No. of Shareholders			No. of shares held			% to Total No. of shares		
		Physical	Demat	Total	Physical	Demat	Total	Physical	Demat	Total
1	Upto 5000	7313	3052	10365	876865	459314	1336179	5.846	3.062	8.908
2	5001 To 10000	75	204	279	63400	171012	234412	0.423	1.140	1.563
3	10001 To 20000	15	81	96	22400	125356	147756	0.149	0.836	0.985
4	20001 To 30000	7	28	35	17000	72999	89999	0.113	0.487	0.600
5	30001 To 40000	4	13	17	14300	47511	61811	0.095	0.317	0.412
6	40001 To 50000	4	7	11	18400	32989	51389	0.123	0.220	0.343
7	50001 To 100000	5	14	19	41500	107809	149309	0.277	0.719	0.995
8	Above 100000	12	23	35	552200	12376945	12929145	3.681	82.513	86.194
	Total	7435	3422	10857	1606065	13393935	15000000	10.707	89.293	100.000

S. No.	Nominal Value of Equity Shares held (Rs.)	No. of Shareholders			No. of shares held			% to Total No. of shares		
		Physical	Demat	Total	Physical	Demat	Total	Physical	Demat	Total
1	Upto 1,00,000	7423	3399	10822	1053865	1016990	2070855	7.026	6.780	13.806
2	More than 1,00,000	12	23	35	552200	12376945	12929145	3.681	82.513	86.194
	Total	7435	3422	10857	1606065	13393935	15000000	10.707	89.293	100

Details of shareholding as on 31st March 2009, was as under:

S.No.	Category	No. of Shares held	% Shareholding
1.	Promoters	11227100	74.847
2.	Financial Institutions, Banks and Mutual Funds	100	0.001
3.	NRIs, Foreign Nationals, OCBs and FIIs	12554	0.084
4.	Indian Public	2704614	18.03
5.	Private Corporate Bodies	1055632	7.038
	TOTAL	1,50,00,000	100.000

(x) Dematerialisation of Shares and Liquidity

The shares of the company fall under the category of compulsory delivery in dematerialised form by all categories of investors. The company has signed agreements with both the Depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Limited. The company's shares bear ISIN INE991B01010 with both the depositories. About 89.293% of the issued share capital of the company was held in Demat Mode as on 31st March, 2009.

(xi) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion date and likely impact on equity : NIL

(xii) Location of Plant

Village Rajampur, Industrial Area, Sikandrabad, District Bulandshahr (U.P.) – 203205



KOTHARI FERMENTATION AND BIOCHEM LIMITED

(xiii) Address for Correspondence:

1. With the Company:
Kothari Fermentation & Biochem Ltd.,
1st Floor, 16, Community Centre, Saket, New Delhi – 110017.
Tel. : 26850004, E-Mail : kfb@airtelmail.in
2. With the R & T Agent
The shareholders may also address their correspondence to the R & T Agent of the Company; their address is given in point no. (vii) above.
3. As per clause 47(f) of the Listing Agreement, the company has designated an e-mail ID for the investors' grievance redressal, i.e. kfb@airtelmail.in

(xiv) Investor Relations

All the queries received from shareholders during the Financial Year 2008-09 have been responded by the R&T Agent and generally replied to the queries within a fortnight.

8. **CEO/ CFO Certification:** As required under the revised guidelines on corporate governance, a certificate from CEO / CFO was obtained and laid down before the board of directors.
9. **Compliance:** The certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges is annexed with this report.
10. **Declaration of Compliance with Code of Conduct:** This is to certify that as provided under Clause 49(I)(D)(ii) of the Listing Agreement with the Stock Exchanges, the Board members and the senior management personnel have affirmed to the compliance with Code of Conduct and Ethics for the twelve months period ended 31st March, 2009.

The non-mandatory requirements, wherever necessary, have been complied with.

For and on behalf of the Board

Place : New Delhi
Date : 28th August, 2009

MOTI LAL KOTHARI
Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Kothari Fermentation & Biochem Ltd.

We have examined the compliance of conditions of Corporate Governance by Kothari Fermentation & Biochem Ltd. during the year ended on 31st March 2009, as stipulated in revised clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the 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, we certify that the company has complied with the conditions of corporate governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company, as certified by the Share Transfer Agents of the company.

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

For **NAHATA JAIN & ASSOCIATES**
Chartered Accountants

Place: New Delhi
Date : 28th August, 2009

(ANIL K. JAIN)
Partner
M. No. 093912



KOTHARI FERMENTATION AND BIOCHEM LIMITED

AUDITORS' REPORT

To,
The Members of
Kothari Fermentation and Biochem Limited

We have audited the attached Balance Sheet of **KOTHARI FERMENTATION AND BIOCHEM LIMITED** as at 31st March, 2009 and also the Profit & Loss Account and the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibilities of company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on the test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion and further report that

1. As required by the Companies (Auditor's Report) (Amendment) Order 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of said order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we state that:
 - a. 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.
 - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books of head office, works and branch offices;
 - c. The Balance Sheet, Profit & Loss Account and the Cash Flow Statement referred to in this report are in agreement with the books of account.
 - d. The Balance Sheet, Profit and Loss Account and the Cash Flow Statement of the Company, comply with the Accounting Standards referred to in Sub Section (3C) of Section 211 of the Companies Act, 1956, in so far as they are applicable to the company *except non-recognition of Deferred Tax Assets/ Liabilities (AS-22) amount of which has not been calculated.*
 - e. On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the said directors are disqualified as on 31st March 2009 from being appointed as directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f. *We draw attention to the following notes on accounts in Schedule N:*
 - (i) *Note No.6 regarding purchases which are shown net of trade tax refund claim of Rs.46.14 lacs imposed on purchases of molasses in earlier years instead of showing as other income.*
 - (ii) *Note No.12 regarding non provision of doubtful debts amounting to Rs.1.84 lacs for recovery of which the company has filed legal case to that extent the profit is over stated.*
 - g. Subject to our remarks at Paragraph (f) above, In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, Profit & Loss Account and the Cash Flow Statement, read together with the Notes and significant accounting policies thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009
and
 - (ii) In the case of the Profit & Loss Account of the Profit of the Company for the year ended on that date.
 - (iii) In case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For **NAHATA JAIN & ASSOCIATES**
Chartered Accountants

(ANIL K. JAIN)
Partner
M. No. 093912

Place : New Delhi
Date : 17th June, 2009



KOTHARI FERMENTATION AND BIOCHEM LIMITED

ANNEXURE REFERRED TO IN PARA-1 OF THE AUDITORS' REPORT TO THE MEMBERS OF KOTHARI FERMENTATION AND BIOCHEM LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31.03.2009.

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that:-

01. In respect of its fixed assets:
 - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b) As explained to us, the fixed assets have been physically verified by the management during the year, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) In our opinion, the company has not disposed of substantial part of fixed assets during the year and the going concern status of the company is not affected.
02. In respect of inventories
 - a) As explained to us inventories have been physically verified by the management at regular intervals during the year.
 - b) In our opinion, procedures for 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) In our opinion, the company is maintaining proper records of inventory. We have been explained that discrepancies noticed on physical verification as compared to book records were not material and the same have been properly dealt with in the books of account
03. In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - a. During the year, the company has granted advance/unsecured loan to one party covered in the register maintained u/s 301 of the Companies Act, and the same was received back during the year. The amount involved was Rs. 3.33 lacs and no interest has been charged during the year on such account.
 - b. During the year, the company has taken unsecured loan from two parties covered in the register maintained u/s 301 of the Companies Act, and repaid back the same during the year. The amount involved was Rs.252.85. In our opinion the rate of interest and other terms and conditions of unsecured loan taken by the company, are not, prima-facie, prejudicial to the interest of the company.
04. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventories and fixed assets and sale of goods. During the course of our audit, we have not observed any major weaknesses in internal control system.
05. In respect of transactions covered under Section 301 of the Companies Act, 1956:
 - a. In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register in pursuance to Section 301 of the Companies Act, 1956 have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transaction, if any, made in pursuance of contract or arrangements entered in the registers maintained under Section 301 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market price at the relevant time.
06. The company has not accepted any deposits from the public thus the directives issued by the Reserve Bank of India and the provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable.
07. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
08. According to the information and explanations given to us the Central Government has not prescribed the maintenance of cost accounting records under section 209(1) (d) of The Companies Act 1956.



KOTHARI FERMENTATION AND BIOCHEM LIMITED

09. In respect of statutory dues:

- a. According to the records of the company, the company is generally regular in depositing the undisputed statutory dues with appropriate authorities; however there were few cases of delays in deposit of provident fund, ESI contributions and tax deducted at source.
- b. According to the information and explanations given to us and as per the books and records examined by us, there are no dues of income tax, sales tax, service tax, wealth tax, excise duty, custom duty, cess, etc., which have not been deposited on account of any dispute, except following:

Statue	Nature	Amount involved	Period	Forum where dispute is pending
Central Excise Act	Demand of duty due to non-allowability of expenses	Rs. 2.52 Lacs	1994-95	CESTAT, New Delhi

10. The company does not have accumulated losses at the end of the financial year March 31, 2009. Further, the company has not incurred any cash losses during the financial year ended on 31st March,2009 and in the preceding financial year ended on 31st March,2008.
11. According to the records of the company examined by us and the information and explanations given to us, there is no outstanding dues to any financial institution or bank during the year. The company has no debenture holders.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly clause (xiii) of para no. 4 of the Companies (Auditor's Report) (amended) Order, 2004 is not applicable.
14. According to the information & explanation given to us the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause (xiv) of para no.4 of the Order is not applicable.
15. According to the information & explanation given to us and on our overall examination of balance sheet of the company we are of the opinion that the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. During the year under report the company has not taken any term loan.
17. According to the information and explanation given to us and on our overall examination of the balance sheet of the company, we are of the opinion that no funds raised on short term basis have been used for long term purposes or vice versa.
18. According to the information and explanations given to us, the Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act in compliance of order of the Board for Industrial and Financial Reconstruction (BIFR) and the BIFR exempted the Company from the relevant provisions of SEBI (Disclosures & Investor Protection) Guidelines 2000 relating to preferential allotment of shares to promoters, their friends, relatives and associates and group companies. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the company.
19. The company has not issued any debentures during the year.
20. The company has not made any public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For **NAHATA JAIN & ASSOCIATES**
Chartered Accountants

(ANIL K. JAIN)
Partner
M. No. 093912

Place : New Delhi
Date : 17th June, 2009

**KOTHARI FERMENTATION AND BIOCHEM LIMITED****BALANCE SHEET AS AT 31ST MARCH, 2009***(Amount in Rs.)*

PARTICULARS	Schedule No.	As at 31st March, 2009	As at 31st March, 2008
I. SOURCES OF FUNDS			
(1) Shareholders' Funds			
Share Capital	A	150,000,000	60,950,000
Reserve & Surplus	B	65,200,525	56,289,543
Share Application Money		—	32,500,000
(2) Loan Funds			
Secured Loans	C	1,627,127	1,047,607
Unsecured Loans	D	—	30,000,000
TOTAL		216,827,652	180,787,150
II. Application of Funds			
(1) Fixed Assets			
a) Gross Block	E	249,066,088	218,009,456
b) Less Depreciation		109,756,340	99,159,545
c) Net Block		139,309,748	118,849,911
d) Capital Work In Progress		—	1,015,000
		139,309,748	119,864,911
(2) (i) Current Assets, Loans & Advances			
a) Inventories	F	26,847,627	25,629,415
b) Sundry Debtors	G	30,466,573	19,902,812
c) Cash & Bank Balances	H	7,499,604	3,617,265
d) Loans & Advances	I	34,208,707	32,643,040
		99,022,511	81,792,532
Less :			
(ii) Current Liabilities & Provisions			
a) Current Liabilities	J	20,960,046	20,419,615
b) Provisions		544,561	450,678
		21,504,607	20,870,293
Net Current Assets (i) - (ii)		77,517,904	60,922,239
		216,827,652	180,787,150
NOTES FORMING PART OF ACCOUNTS			
	N		

As per our report of even date attached

For and on behalf of the board

for NAHATA JAIN & ASSOCIATES

Chartered Accountants

ANIL K. JAIN

Partner

M. No. : 093912

PRAMOD KOTHARI

Director

MOTI LAL KOTHARI

Chairman & Managing Director

Place : New Delhi

Dated : 17th June, 2009

PRASANNA KUMAR PAGARIA

Director

AJAY TRIVEDI

Company Secretary

**KOTHARI FERMENTATION AND BIOCHEM LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009***(Amount in Rs.)*

PARTICULARS	Schedule No.	For the year ended 31st March, 2009	For the year ended 31st March, 2008
INCOME			
Sales		232,695,878	99,882,693
Other Income	K	1,088,056	41,974,587
Increase/(Decrease) in Stock	L	(385,747)	4,189,992
		233,398,187	146,047,272
EXPENDITURE			
Manufacturing & Other Expenses	M	182,769,940	91,472,233
Trading Purchases		28,305,638	9,666,029
Depreciation		11,063,992	8,843,873
Interest Charges		1,437,547	2,974,528
		223,577,117	112,956,663
Profit / (Loss) before Taxes		9,821,070	33,090,609
Less: Provision for Taxation			
— Fringe Benefit Tax		371,642	296,000
Net Profit/ (Loss) after Taxes		9,449,428	32,794,609
Prior Period Adjustment		(538,446)	43,248
		8,910,982	32,837,857
Balance brought forwarded from previous year		—	(78,767,240)
		8,910,982	(45,929,383)
Amount transferred from Capital Reserve		—	45,929,383
Balance carried over to Balance Sheet		8,910,982	—
Basic/Diluted Earnings per share (face value of Rs.10/- each)		1.21	5.39

NOTES FORMING PART OF ACCOUNTS N

As per our report of even date attached

For and on behalf of the board

for **NAHATA JAIN & ASSOCIATES**
Chartered Accountants**ANIL K. JAIN**
Partner
M. No. : 093912**PRAMOD KOTHARI**
Director**MOTI LAL KOTHARI**
Chairman & Managing DirectorPlace : New Delhi
Dated : 17th June, 2009**PRASANNA KUMAR PAGARIA**
Director**AJAY TRIVEDI**
Company Secretary


KOTHARI FERMENTATION AND BIOCHEM LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT
(Amount in Rs.)

PARTICULARS	As at 31st March, 2009	As at 31st March, 2008
<u>SCHEDULE "A" : SHARE CAPITAL</u>		
AUTHORISED		
15,000,000 Equity Shares (Previous Year		
9,000,000 Equity Shares) of Rs. 10/- each	<u>150,000,000</u>	<u>90,000,000</u>
ISSUED, SUBSCRIBED & PAID-UP		
15,000,000 Equity Shares (Previous Year		
6,095,000 Equity Shares) of Rs.10/- each fully paid up in cash	<u>150,000,000</u>	<u>60,950,000</u>
	<u>150,000,000</u>	<u>60,950,000</u>
<u>Schedule "B" : RESERVE & SURPLUS</u>		
Capital Reserve Account		
Opening Balance	56,289,543	—
Waiver of Principal by Bank & Financial Institution	—	102,218,926
Less : Transferred to Profit & Loss Account	—	<u>45,929,383</u>
Closing Capital Reserve	56,289,543	56,289,543
Profit & Loss Account	<u>8,910,982</u>	—
	<u>65,200,525</u>	<u>56,289,543</u>
<u>Schedule "C" : SECURED LOANS</u>		
Vehicle Loans		
ICICI Bank	224,333	982,509
HDFC Bank	<u>1,402,794</u>	<u>65,098</u>
	<u>1,627,127</u>	<u>1,047,607</u>
<u>Schedule "D" : UNSECURED LOANS</u>		
Inter Corporate Deposits	—	30,000,000
	—	<u>30,000,000</u>

SCHEDULE "E" : FIXED ASSETS
(Amount in Rs.)

	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 31.03.2008	Additions during the year	Deletion during the year	As at 31.03.2009	Up to 31.03.2008	During the year	Adjustment	Up to 31.03.2009	As at 31.03.2009	As at 31.03.2008
LAND										
— Freehold	2,376,298	—	—	2,376,298	—	—	—	—	2,376,298	2,376,298
— Leasehold	1,689,567	—	—	1,689,567	—	—	—	—	1,689,567	1,689,567
Building	22,977,705	193,276	—	23,170,981	9,379,114	673,635	—	10,052,749	13,118,232	13,598,591
Plant and Machinery	141,259,530	24,298,142	—	165,557,672	73,388,726	7,451,723	—	80,840,449	84,717,223	67,870,804
Effluent Treatment Plant	37,891,042	3,922,474	—	41,813,516	9,874,347	2,000,647	—	11,874,994	29,930,522	28,016,695
R&D Laboratory Equipment	1,136,033	—	—	1,136,033	790,871	57,487	—	848,358	287,675	345,162
Furniture and Fixtures	1,079,024	206,414	—	1,285,438	1,007,055	67,203	—	1,074,258	211,180	71,969
Factory Equipment	277,241	—	—	277,241	144,397	12,197	—	156,594	120,647	132,844
Office Equipment	3,413,136	305,522	—	3,718,658	1,869,161	167,917	—	2,037,078	1,681,580	1,543,975
Vehicles	5,909,880	3,562,251	1,431,447	8,040,684	2,705,874	633,183	467,197.00	2,871,860	5,168,824	3,204,006
TOTAL	218,009,456	32,488,079	1,431,447	249,066,088	99,159,545	11,063,992	467,197	109,756,340	139,309,748	118,849,911
PREVIOUS YEAR	182,939,439	41,382,319	6,312,302	218,009,456	93,199,621	8,843,873	2,883,949	99,159,545	118,849,911	89,739,818
Capital Work in Progress	1,015,000	—	1,015,000	—	—	—	—	—	—	1,015,000



KOTHARI FERMENTATION AND BIOCHEM LIMITED

(Amount in Rs.)

PARTICULARS	As at 31st March, 2009	As at 31st March, 2008
<u>SCHEDULE "F": INVENTORIES</u>		
(As taken, valued and certified by the management)		
Raw Material	10,785,552	9,528,520
Stores & Spare Parts	2,647,676	2,300,749
Trading Goods	1,527,625	8,820,278
Finished Goods	4,444,781	2,576,838
Stock in Process	7,441,993	2,403,030
	<u>26,847,627</u>	<u>25,629,415</u>
<u>Schedule "G" :SUNDRY DEBTORS</u>		
(Unsecured- considered good)		
Debts outstanding over six months	13,815,723	16,128,894
Others	16,650,850	3,773,918
	<u>30,466,573</u>	<u>19,902,812</u>
<u>Schedule "H" :CASH & BANK BALANCES</u>		
Cash in Hand	4,940,129	1,118,878
Balance with Scheduled Banks		
— in Current Accounts	2,490,494	1,742,213
— in Deposit Accounts	68,981	756,174
	<u>7,499,604</u>	<u>3,617,265</u>
<u>Schedule "I" : LOANS & ADVANCES</u>		
(Unsecured- considered good)		
Recoverable in cash or in kind or for value to be received	24,081,554	23,966,409
Security Deposits	3,667,497	3,665,997
Balances with Taxation Departments	6,459,656	5,010,634
	<u>34,208,707</u>	<u>32,643,040</u>
<u>Schedule "J" : CURRENT LIABILITIES & PROVISIONS</u>		
a) CURRENT LIABILITIES		
Sundry Creditors	16,564,339	15,705,547
Security Received	—	—
Interest Payable	—	1,017,052
Credit balance with Banks	842,981	11,878
Other Current Liabilities	3,552,726	3,685,138
	<u>20,960,046</u>	<u>20,419,615</u>
b) PROVISIONS		
Provision for Fringe Benefit Tax (Net)	204,935	136,048
Provision for Leave Encashment	339,626	314,630
	<u>544,561</u>	<u>450,678</u>
(Amount in Rs.)		
<u>PARTICULARS FOR THE YEAR ENDED ON</u>	<u>31st March, 2008</u>	<u>31st March, 2007</u>
<u>SCHEDULE "K" : OTHER INCOMES</u>		
Interest Gross (TDS Rs.377/-, previous year Rs.11958/-)	18,266	57,697
Claims	59,604	62,292
Liabilities no longer payable, now written back	961,486	38,289,499
Miscellaneous Incomes	48,700	3,565,099
	<u>1,088,056</u>	<u>41,974,587</u>



(Amount in Rs.)

PARTICULARS	For the year ended 31st March, 2009		For the year ended 31st March, 2008	
SCHEDULE "L" : INCREASE/(DECREASE) IN STOCK				
Finished Goods				
— Closing	4,444,781		2,576,838	
— Less Opening	2,576,838	1,867,943	4,286,727	(1,709,889)
Stock in Process				
— Closing	7,441,993		2,403,030	
— Less Opening	2,403,030	5,038,963	5,323,427	(2,920,397)
Trading Goods				
— Closing	1,527,625		8,820,278	
— Less Opening	8,820,278	(7,292,653)	—	8,820,278
		<u>(385,747)</u>		<u>4,189,992</u>
SCHEDULE "M" : MANUFACTURING & OTHER EXPENSES				
RAW MATERIAL CONSUMED				
Opening Stock	9,528,520		3,638,116	
Purchases	112,853,375		47,722,668	
Less: Closing Stock	10,785,552	111,596,343	9,528,520	41,832,264
MANUFACTURING EXPENSES				
Stores & Spares Consumed	1,847,959		1,644,779	
R & D Expenses	581,819		474,886	
Power & Water Charges	27,271,312		15,708,714	
Repairs & Maintenance				
— Building	335,442		208,442	
— Plant & Machinery	2,638,217	32,674,749	1,719,975	19,756,796
SALARIES, WAGES & OTHER BENEFITS TO EMPLOYEES				
Salaries, Wages and Allowances	13,776,004		11,046,974	
Contribution to Provident & Other Funds	1,559,765		1,229,604	
Staff Welfare Expenses	784,907	16,120,676	709,758	12,986,336
SALES & DISTRIBUTION EXPENSES				
Advertisement & Publicity Expenses	44,898		30,960	
Selling Expenses	344,495		366,562	
Commission Paid	271,506		—	
Handling, Forwarding & Transportation	11,741,959	12,402,858	5,540,922	5,938,444
ESTABLISHMENT EXPENSES				
Rent, Rates, Taxes & Insurance	2,002,831		1,825,972	
Postage & Telephone	1,097,803		1,003,013	
Printing & Stationary	280,800		185,408	
Travelling & Conveyance	2,290,722		2,251,016	
Legal & Professional Charges	394,921		530,965	
Bank Charges	445,470		252,267	
Vehicle Running & Maintenance	1,070,162		1,019,124	
Auditors' Remuneration	90,715		87,360	
Membership, Subscription & Periodicals	139,679		102,533	
Listing & Share Transfer Expenses	65,522		98,644	
Tender, Registration & Filing Fees	6,013		6,844	
Meeting Expenses	100,638		97,069	
General Office Expenses	599,596		421,469	
Security Services Expenses	861,192		520,541	
Loss on Sale of Assets	529,250		2,471,853	
Bad Debts Written off	—	9,975,314	84,315	10,958,393
		<u>182,769,940</u>		<u>91,472,233</u>



SCHEDULE "N": NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) GENERAL

- a) The financial statements have been prepared in accordance with applicable Accounting Standards and relevant presentational requirements of the Companies Act, 1956 and are based on the historical cost conventions.
- b) The Company follows the mercantile system of accounting and recognise income and expenses (including financial charges) on accrual basis except claims

(ii) FIXED ASSETS

Fixed Assets are stated at cost of acquisition inclusive of freight, duties, taxes and pre-operative expenses relating to period prior to commencement of commercial production and net of modvat/cenva¹ credit availed.

(iii) DEPRECIATION

- a) Depreciation is provided as per the Straight Line Method at the rates provided in Schedule XIV to the Companies Act, 1956.
- b) Depreciation has been calculated on a pro-rata basis from the month of acquisition / installation of additions to assets during the year, and pro-rata upto the month of disposal in case of deletion.
- c) No amount is being written off on Leasehold land and Freehold land.

(iv) INVENTORIES

- a) Stores, spare parts, loose tools, raw material and packing material are valued at cost or net realizable value, whichever is less.
- b) Finished goods are valued at material cost plus expenses or net realizable value, whichever is less
- c) Stock in trading division is valued at cost and related expenses or net realizable value, whichever is less.
- d) Stock in process is valued at material cost plus attributable expenses or net realizable value, whichever is less.

(v) RESEARCH AND DEVELOPMENT

Revenue expenditure on research and development is charged as an expense in the year in which it is incurred. Capital expenditure on Research and Development is included in Fixed Assets.

(vi) SALES

Sales of goods are recognised at the point of despatch from factory to customers and sales from Depot are recognised at the time of billing to the customers. Sales are net of returns, rebate, damaged goods and exclusive of sales tax.

(vii) PROVISION FOR TAXATION

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that are enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the asset will be realized in future.

(viii) RETIREMENT BENEFITS

- (a) The company has a group gratuity scheme for eligible employees with Life Insurance Corporation of India (LIC). The group gratuity scheme is a defined benefit scheme and is funded in the line with LIC's actuarial valuation.
- (b) Provision for liabilities in respect of leave encashment is made on the basis of actual leaves as at the balance sheet date.
- (c) Contributions to provident fund are recognised as expenses when incurred.

(ix) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of acquisition. Monetary items are translated at the rates prevailing on reporting dates. The exchange difference between rate prevailing on the date of transaction and on the date of settlement and also on translation of monetary items at the reporting date is recognized as income or expense.

(x) EARNING PER SHARES

Basic earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year (adjusted for the effects of dilutive options)

(xi) BORROWING COST

Borrowing cost attributable to acquisition, construction or production of qualifying assets are capitalized as part of the cost till the assets is ready for use. Other borrowing costs are recognized as expense in the period in which these are incurred.



KOTHARI FERMENTATION AND BIOCHEM LIMITED

(xii) PROVISIONS, 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 events and it is probable that there will be an outflow of resources. Contingent liabilities are disclosed in the Notes to Accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

(xiii) EVENTS OCCURRING AFTER BALANCE SHEET DATE

Events occurring after balance sheet date have been considered in the preparation of financial statement.

(xiv) IMPAIRMENT OF ASSETS

An asset is treated as impaired, when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to profit and loss account, in the year in which asset is identified as impaired.

2. CONTINGENT LIABILITIES :

- (a) Claims against the company towards listing fee for three stock exchanges not acknowledged as debt is Rs. 2.71,000/- (F.Y. Rs. 2.51,000/-) as company has sought delisting from these stock exchanges.
 - (b) The company has filed an appeal before The Custom, Excise & Service Tax Appellate Tribunal (CESTAT) in the matter of excise duty involving disputed amount of Rs. 2.52 Lacs. The case is in progress and the company is likely to succeed. The matter being sub-judice, no provision has been made in the books of accounts.
3. In the opinion of the Board, the Current Assets, Loans and Advances including Sundry Debtors are of the value as stated in financial statement in the ordinary course of business, although, some of them are outstanding for a long period. The provision of all known liabilities has been made. The accounts of certain Sundry Debtors, Creditors, banks and loans & Advances are subject to confirmation and reconciliation.
 4. Amount shown under the head 'Secured Loans' are secured against hypothecation of respective vehicles.
 5. The Board for Industrial and Financial Reconstruction (BIFR) declared the company as a sick company vide its order dated 09.11.2005 under the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). BIFR sanctioned rehabilitation scheme vide its order dated 26.03.2008 as amended from time to time. The scheme came into effect from the date of issue of sanctioned scheme and its provisions are binding on all concerned. The Company and promoters have complied with all its obligations under the Scheme. The company has been ceased to be a sick industrial company and discharged from the provisions of SICA vide order dated 15.09.2008 passed by Hon'ble BIFR.
 6. The Allahabad High Court in the case of M/s. SAF Yeast Company Private Limited vs. State of U.P. and Another has decided that no trade tax is chargeable on Molasses as the State of U.P. is levying and collecting administrative charges which is tax on the molasses through the Sugar Factories under the U.P. Shreera Niyantran Adhiniyam, 1964. In view of the decision of the Hon'ble Court, the Company has filed a claim for refund of Trade Tax paid amounting to Rs. 46,13,849/- on purchases of Molasses for the earlier years and during the year under consideration this amount has been reduced from the cost of purchases of Molasses as the same was charged as part of the cost of material in earlier years.
 7. In view of the order of Board for Industrial and Financial Reconstruction (BIFR) and brought forwarded accumulated losses/unabsorbed depreciation, no provision for income tax/ MAT for the year has been made in the accounts.
 8. In view of the accumulated business losses & unabsorbed depreciation and since there is no reasonable certainty of realization, the company has not recognized the deferred tax liability/asset arising on account of timing difference as stipulated in Accounting Standard (AS-22), "Accounting for taxes of Income" issued by the Institute of Chartered Accountants of India by way of prudence.
 9. The Company has not received any information from suppliers or service providers, whether they are covered under the "Micro, Small and Medium Enterprises (Development) Act, 2006". Therefore, it is not possible to give the information required under the Act.
 10. Managerial Remuneration under Section 198 of the Companies Act, 1956:
 - i) Remuneration to Managing Director: Salaries Rs.1,80,000/- (Previous year Rs.1,80,000/-)
 - ii) Remuneration to Whole Time Director: Salaries Rs.1,20,000/- (Previous year Rs.1,20,000/-)
 11. **PAYMENT TO AUDITORS**

	2008-2009	2007-2008
Audit Fee	30,000	30,000
Tax Audit Fee	15,000	15,000
Limited Review & Certification Fees	40,000	40,000
Out of Pocket Expenses	5,715	2,360
	<u>90,715</u>	<u>87,360</u>

12. The Company has filed a legal case for recovery of Rs.1,83,844/- (Previous Year Rs.1,83,844/-) against a debtor, for which no provision for doubtful debt has been made, since the matter is sub-judice.



13. The arbitration cases relating to supply of rice to Govt. of Bangladesh during 1995-96 pending in Bangladesh have been awarded in favour of company allowing our claims of USD 427,021.89 against Govt. of Bangladesh. The arbitration awards have been filed with the appropriate court in Bangladesh to make it a rule of law for payment.
14. For the purpose of Accounting Standard 17, "Segment Reporting" (AS17), issued by the Institute of Chartered Accountants of India., the company has two segments i.e. manufacturing of yeast and trading of peas/pulses. Information about business segments for the year ended 31.03.2009 are furnished below:

Particulars	2008-09 (Rs. in lacs)		2007-08 (Rs. in lacs)	
	Manufacturing of Yeast	Trading of Grains	Manufacturing of Yeast	Trading of Grains
a) Revenue	1914.46	412.50	998.83	—
b) Result	92.06	6.15	330.91	—
c) Capital Employed	2136.73	15.28	1172.40	—

15. RELATED PARTY DISCLOSURE (AS- 18)

(a) Key Personnel & Relatives

- (i) Mr. Moti Lal Kothari Chairman & Managing Director
 (ii) Mr. Pramod Kothari Whole Time Director

Note: Mr. Pramod Kothari is the son of Mr. Moti Lal Kothari.

(b) Transaction with Related Parties

	Transaction	(Rs. in Lacs)	
		2008-09	2007-08
(i) Mr. Moti Lal Kothari	Remuneration	1.80	1.80
	Share Appl.		
	Money recd.		100.00
(ii) Mr Pramod Kothari	Remuneration	1.20	1.20
	Advances Given	3.33	—
(iii) Pramod Kothari (HUF)	Share Appl.		
	Money recd.		100.00
(iv) Chaudhry Brothers, Traders and Builders Pvt. Ltd.	Rent Paid	2.25	2.25
	Loan/Advances recd.	246.80	249.00
	Interest Paid	—	13.15
	Share Appl. Money/		
	Share Capital recd.	265.50	—
(v) San Kothari Lifecare Pvt. Ltd.	Advances given	—	3.03
(vi) Kothari Thermoplast Pvt. Ltd.	Loan/Advances recd.	6.05	349.55
	Advances given	—	36.95
	Interest Paid	5.14	—
	Share Appl. Money/		
	Share Capital recd.	—	125.00
(vii) M M K & Co.	Commission Paid	1.91	—

(c) There is no amount written off or written back in respect of debts due from or to related parties.

Note:

- (i) The amount of loan/advances received and given have been paid and received back in full during the year itself. Further, the opening balance of unsecured loan Rs. 300.00 lacs taken from M/s. Kothari Thermoplast Pvt Ltd converted into share application money during the F.Y.2008-09 and Shares Application Money received from Mr. M.L. Kothari, Rs. 100 lacs, from Mr. Pramod Kothari HUF Rs.100 Lacs and from M/s Kothari Thermoplast Pvt. Ltd Rs. 125Lacs in the F.Y.:2007-08 have not been reported here above in current year figures as the shares have been allotted for the same in F.Y.2008-09 in compliance with the BIFR scheme.
- (ii) Related party relationship is as identified by the management and relied upon by the Auditors.

16. Earning per share (EPS) (AS –20)

	2008-09	2007-08
(a) Number of Equity Shares of Rs. 10 each		
Number of shares at the beginning of the year	6095000	6095000
Number of shares at the close of the year	15000000	6095000
Weighted average number of Equity Shares during the year	7335836	6095000



	2008-09	2007-08
(b) Net Profit/(loss) for the year attributable to Equity Shares (in Rupees)	8910982	32837857
(c) Basic & diluted earnings (in Rupees) per share	1.21	5.39

17. Additional information pursuant to Para 3 of Part II of Schedule- VI of the Companies Act, 1956:
(I) LICENCED/ INSTALLED CAPACITY, ETC.:

	UNIT	2008-2009	2007-2008
(A) LICENCED CAPACITY (Delicensed Industry) (Equivalent Compressed Yeast)	M.T.	N.A.	N.A.
(B) INSTALLED CAPACITY (as certified by the Management & relied upon by the Auditors)	M.T.	10000	10000
(C) ACTUAL PRODUCTION	M.T.	5185	2627

(II) Quantitative information in respect of sales, closing stock and raw material consumption:

	2008-2009		2007-2008	
	Qty. (MT)	Value (Rs. in Lacs)	Qty. (MT)	Value (Rs. in Lacs)
(A) MANUFACTURING OF COMPRESSED YEAST AND ITS DERIVATIVES				
(i) Opening Stock	92	25.77	149	42.87
(ii) Purchases	3	1.30	21	8.46
(iii) Sales	5144	1914.46	2705	998.83
(iv) Closing Stock	136	44.45	92	25.77
(B) RAW MATERIAL CONSUMED:				
INDIGENOUS		1115.96		418.32
IMPORTED		NIL		NIL
(C) STORES AND SPARES CONSUMED:				
INDIGENOUS		18.48		16.45
IMPORTED		NIL		NIL
(D) TRADING				
(i) Opening Stock	405.53	88.20	—	—
(ii) Purchases	1161.89	281.75	405.53	88.20
(iii) Sales	1504.92	412.50	—	—
(iv) Closing Stock	62.47	15.28	405.53	88.20
		2008-2009		2007-2008 (Rs. in Lacs)

(iii) (i) Value of Imports on CIF Basis	—	—
(ii) Expenditure in foreign currency	2.26	5.25
(iii) FOB Value of Exports	—	—

18. Previous year's figures have been re-grouped/reclassified wherever necessary, to make them comparable.

19. Schedule A to N form integral part of the Balance Sheet and Profit & Loss Account.

As per our report of even date attached

For and on behalf of the board

for **NAHATA JAIN & ASSOCIATES**

Chartered Accountants

ANIL K. JAIN

Partner

M. No. : 093912

Place : New Delhi

Dated : 17th June, 2009

PRAMOD KOTHARI

Director

PRASANNA KUMAR PAGARIA

Director

MOTI LAL KOTHARI

Chairman & Managing Director

AJAY TRIVEDI

Company Secretary



KOTHARI FERMENTATION AND BIOCHEM LIMITED

PART – IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details:

Registration No. : 42502

State Code : 55

Balance Sheet 31 03 2009
Date Month Year

II. Capital Raised during the year (Amount in Rs. Thousand):

Public issue

Rights issue

Nil

Nil

Bonus issue

Private Placement

Nil

Nil

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

238332

238332

Sources of Funds

Paid-up capital

Reserves & Surplus

150000

65201

Secured Loan

Unsecured Loan

1627

Share Application Money

Application of Funds

Net Fixed Assets

Investments

139310

NIL

Net Current Assets

Misc. Expenditure

77518

NIL

IV. Performance of Company (Amount in Rs. Thousand)

Turnover

Total Expenditure

232696

222875

Profit Before Tax

Profit After Tax

9821

9449

Earning per Share in Rs.

Dividend Rate %

1.21

Nil

V. Generic Names of the Principal Products of Company and ITC code no.

(i) Item code No. 2102
Products Description Yeasts

(II) Item code No. 0713
Products Description Peast / Pulses

As per our report of even date attached

For and on behalf of the board

for NAHATA JAIN & ASSOCIATES

Chartered Accountants

ANIL K. JAIN

Partner

M. No. : 093912

PRAMOD KOTHARI

Director

MOTI LAL KOTHARI

Chairman & Managing Director

Place : New Delhi

Dated : 17th June, 2009

PRASANNA KUMAR PAGARIA

Director

AJAY TRIVEDI

Company Secretary


CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2009

(Amount (Rs./lacs))

PARTICULARS	As at 31st March, 2009	As at 31st March, 2008
A. CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit/ (loss) before tax and extraordinary items	98.21	330.91
Adjustment for:		
1. Depreciation	110.64	88.44
2. Interest	14.38	29.74
3. Extra Ordinary Items	(9.61)	(382.89)
4. Prior Period Adjustment	(5.38)	0.43
	<u>110.03</u>	<u>(264.28)</u>
Operating profit before working capital changes	208.24	66.63
Adjustment for:		
1. Trade and other receivables	(121.30)	375.84
2. Inventories	(12.18)	(105.12)
3. Trade & other payables	6.34	(4.66)
	<u>(127.14)</u>	<u>266.06</u>
Cash generated from operations	81.10	332.69
1. Interest paid	(14.38)	(29.74)
2. Direct taxes paid/adjusted	(3.72)	(2.96)
	<u>63.00</u>	<u>299.99</u>
Cash flow before extraordinary items	63.00	299.99
1. Extra ordinary items		
- Adjustment in depreciation on deletion of assets	(4.67)	(28.84)
	<u>58.33</u>	<u>271.15</u>
Net cash from operating activities	58.33	271.15
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Addition/ Deletion of fixed assets including Capital Work In progress (Net)	(300.42)	(345.85)
	<u>(300.42)</u>	<u>(345.85)</u>
Net cash used in investing activities	(242.09)	(74.70)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Share Application Money/ Share Capital	565.50	325.00
Proceeds from Unsecured Loan	—	300.00
Repayment of loans	(284.59)	(558.74)
	<u>280.91</u>	<u>66.26</u>
D. NET INCREASE IN CASH AND CASH EQUIVALENTS	38.82	(8.44)
Cash and cash equivalents as at beginning of the year		
Cash and Bank balances	36.18	44.62
Cash and cash equivalents as at end of the year		
Cash and Bank Balances	75.00	36.18

Note: Previous year's figures have been re-grouped/reclassified wherever necessary.

As per our report of even date attached

For and on behalf of the board

for NAHATA JAIN & ASSOCIATES

Chartered Accountants

ANIL K. JAIN

Partner

M. No. : 093912

PRAMOD KOTHARI

Director

MOTI LAL KOTHARI

Chairman & Managing Director

Place : New Delhi

Dated : 17th June, 2009

PRASANNA KUMAR PAGARIA

Director

AJAY TRIVEDI

Company Secretary



KOTHARI FERMENTATION AND BIOCHEM LIMITED

Regd. Office : 1st Floor, 16, Community Centre, Saket, New Delhi - 110 017

PROXY FORM

Folio No. / DP ID No

No. of equity shares held.....

I/We.....of..... in the district of.....being a Member/Members of the above Company hereby appoint Sh./Smt.....of..... in the district of..... or failing him/her.....of.....in the district of..... as my/our proxy to vote for me/us on my/our behalf at the 19th Annual General Meeting of the Company to be held at "Bipin Chandra Pal Memorial Trust Auditorium", Satindra Mohandev Charitable Medical Centre, A-81, Chittranjan Park, New Delhi-110019 on Wednesday the 30th day of September, 2009 at 09.30 a.m. and any adjournment thereof.

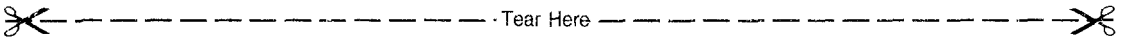
Signed this.....day of.....2009.

Signature.....



Note : The form should be signed across the stamp as per specimen signature registered with the Company. The proxy form must reach the Registered Office of the Company not less than 48 hours before the time fixed for holding the aforesaid meeting.

Proxy without this information will not be accepted.



KOTHARI FERMENTATION AND BIOCHEM LIMITED

Regd. Office : 1st Floor, 16, Community Centre, Saket, New Delhi - 110 017

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

#Folio No./DP ID No.....

#No. of equity shares held.....

Name of the Member.....
(in block letters)

Name of the Proxy.....
(if any)

I hereby record my presence at the Annual General Meeting of the Company held on 30th day of September, 2009 at 09.30 A.M. at "Bipin Chandra Pal Memorial Trust Auditorium", Satindra Mchandev Charitable Medical Centre, A-81, Chittranjan Park, New Delhi-110019

.....
Signature of the Member/Proxy

Attendance slip without this information will not be accepted.
Please bring your copy of Annual Report at the Meeting Hall.
No Gift/Gift coupons will be provided to the members.

BOOK POST

To,

If undelivered, please return to :-



KOTHARI FERMENTATION AND BIOCHEM LIMITED

1st Floor, 16, Community Centre, Saket,
New Delhi - 110 017