

## **Kothari Industrial Corporation Limited**



### **BOARD OF DIRECTORS**

Mr. Pradip D. Kothari  
Chairman & Managing Director

Mr. K. Santhanam

Mr. Chetan Vijay Pagariya

Dr. Easo John

### **COMPANY SECRETARY**

Mr. G. Mohan Das

### **AUDITORS**

M/s. B.B. NAIDU & CO  
Chartered Accountants  
Chennai

### **REGISTERED OFFICE:**

“Kothari Buildings”  
114, Mahathma Gandhi Salai,  
Nungambakkam,  
Chennai – 600034.

### **FACTORY:**

Super Phosphate Factory,  
Ennore,  
Chennai - 600 057.



## KOTHARI INDUSTRIAL CORPORATION LIMITED

Regd. Office : "Kothari Buildings"  
114, Mahathma Gandhi Salai, Nungambakkam, Chennai 600 034

### NOTICE TO MEMBERS

**NOTICE** is hereby given that the **41<sup>st</sup> Annual General Meeting** of the Company will be held at **10.15 A.M. on Wednesday the 21<sup>st</sup> September, 2011 at Rani Seethai Hall, 603, Anna Salai, Chennai – 600 006** to transact the following business:

The Agenda for the Meeting will be as follows:

#### ORDINARY BUSINESS

1. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Audited Profit & Loss Account and Cash Flow Statement for the year ended 31<sup>st</sup> March, 2011 and the Balance Sheet as at that date along with the Auditors' Report and the Directors' Report circulated to the members be and are hereby adopted."

2. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT Dr.Easo John who retires at the ensuing Annual General Meeting be and is hereby re-appointed as a Director of the Company, liable to retire by rotation."

3. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Messrs.B.B.Naidu & Co., Chartered Accountants, Chennai, the retiring Auditors be and are hereby reappointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company in addition to traveling and other out of pocket expenses."

#### SPECIAL BUSINESS

4. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr.Pradip D. Kothari be and is hereby re-appointed as Managing Director of the Company Without Remuneration for a period of five years from 22.10.2010."

(By Order of the Board)

**For KOTHARI INDUSTRIAL CORPORATION LIMITED**

Place: Chennai

Date : 27.05.2011

**G.MOHAN DAS  
COMPANY SECRETARY**

**A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, SHOULD BE LODGED WITH THE COMPANY AT ANY TIME NOT LESS THAN FORTY EIGHT HOURS BEFORE THE TIME OF THE MEETING. A FORM OF PROXY IS ENCLOSED.**

#### Note:-

1. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday the 29<sup>th</sup> August, 2011 to Wednesday the 31<sup>st</sup> August, 2011(both days inclusive).
2. (a) Members are also hereby informed that the equity shares of the Company are available for dematerialization/rematerialisation under the Depository System.  
(b) M/s.Integrated Enterprises (India) Limited, Chennai-600 017 are the Registrars & Share Transfer Agents for dealing with electronic form of equity shares of the Company. The ISIN Code allotted to the Company is INE972A01012.

## **Kothari Industrial Corporation Limited**

3. Members are requested to notify the change of address, if any, immediately to the Company. Certificates to enable the Company to consolidate their holdings into one folio.
4. Members with identical order of names who are holding shares in multiple folios are requested to write to the Company enclosing their Share
5. Members/Proxies should bring Attendance Slip(duly completed) for attending the meeting as well as copy of the Annual Report.

### **PARTICULARS OF THE DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT:**

Name of the Director	Dr.Easo John
Date of Appointment	13.08.2009
Qualifications	M.B.A., Ph.D.
Expertise	Corporate Management
Directorships in other companies	Nil
Membership / Chairman in other companies	Nil
Committee Membership	Nil
Shareholding in Kothari Industrial Corporation Limited	Nil

Name of the Managing Director	Mr.Pradip D. Kothari
Date of First Appointment	28.04.1972
Qualifications	B.A.
Expertise	Industrialist
Directorships in other companies	Nil
Membership / Chairman in other companies	Nil
Committee Membership	Nil
Shareholding in Kothari Industrial Corporation Limited	1366288

### **ANNEXURE TO THE NOTICE**

Explanatory Statement pursuant to the provisions of Sec.173(2) of the Companies Act, 1956:

#### **SPECIAL BUSINESS**

##### **In respect of Item No.4:**

Mr.Pradip D. Kothari was appointed as Managing Director of the Company 'Without Remuneration' at the 36<sup>th</sup> Annual General Meeting of the Company held on 26.04.2008 for a period of five years effective 22.10.2005. His term of office expired on 21.10.2010. The Board of Directors at the meeting held on 22.11.2010 have re-appointed him as Managing Director of the Company Without Remuneration effective 22.10.2010 for a further period of five years.

Except Mr.Pradip D. Kothari, none of the other Directors are interested in regard to this resolution.

## REPORT OF THE DIRECTORS

Your Directors present herewith the Forty First Annual Report on the performance of the Company along with the Audited Balance Sheet and Profit and Loss Account for the financial year ended 31<sup>st</sup> March, 2011.

The Financial Results are as follows:

	2010 - 11	2009 - 10
	(Rs.in Lacs)	
Turnover/Income from Services	<b>10777.03</b>	5625.10
Profit before Interest and Depreciation	<b>935.31</b>	14.28
Interest and Finance Charges	<b>181.56</b>	67.87
Profit before Depreciation	<b>753.75</b>	(53.59)
Exceptional items	<b>(1033.86)</b>	(39.97)
Profit/(Loss) before Depreciation	<b>(280.11)</b>	(93.56)
Depreciation	<b>(35.93)</b>	(15.92)
Taxation	-	(211.74)
Loss for the year	<b>(316.04)</b>	(321.22)
Balance Loss brought forward from the previous year	<b>(3474.16)</b>	(3152.94)
Reduction of Share Capital & Premium thereon	<b>1488.72</b>	-
Loss carried to Balance Sheet	<b>(2301.48)</b>	(3474.16)

In view of the accumulated losses, the Directors are unable to recommend any dividend for the year ended 31<sup>st</sup> March, 2011.

### OPERATIONS:

The Turnover of Single Super Phosphate, NPK mixtures, Straight fertilizers and trading in pesticides was Rs.9591.98 Lakhs as compared to Rs.5214.00 Lakhs in the previous year. The Company produced 42019 MT of Single Super Phosphate during the year under review at its plant in Ennore near Chennai.

### FUTURE PROSPECTS:

The Company has signed a contract with a large manufacturer of Agro Chemicals for marketing a range of herbicides, insecticides and fungicides under specific brand names and by leveraging the "Kotharis" and "Horse Brand". This would foray our entry into the Agro Chemicals Industry arena.

The particulars required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 to the extent applicable are attached to this report.(Annexure - A)

### CORPORATE GOVERNANCE:

Your Company has complied with the requirements of the code of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange. A detailed report on Corporate Governance together with certification of the Chairman and Managing Director, Certificate of the Statutory Auditors on compliance with the Corporate Governance along with the Management Discussion and Analysis Report are attached and form part of the Annual Report (Annexures B & C).

Further as required under Section 217(2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is also attached to this Report.

### DEPOSITS:

The Company has not accepted any public deposit during the year.

### DIRECTORS:

Dr.Easo John, Director retires by rotation and is eligible for reappointment.

Mr.Pradip D. Kothari was reappointed as the Managing Director of the Company without any remuneration on 22.10.2010. This item is included in the agenda of the forthcoming Annual General Meeting.

### RESPONSIBILITY STATEMENT:

The Directors confirm that:-

a) In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

b) They have selected such accounting policies and applied them consistently and made judgements

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and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit or Loss of the Company for that period.

c) To the best of their knowledge and information, they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

d) They have prepared the annual accounts on a going concern basis.

### **AUDITORS:**

The Auditors, M/s.B.B.Naidu & Co., Chartered Accountants, Chennai, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed. A certificate under Sec.224(1B) of the Companies Act, 1956 has been received from them together with the peer review certificate.

### **PARTICULARS OF EMPLOYEES:**

There is no employee, particulars of whom are to be furnished under Sec.217(2AA) of the Companies Act, 1956.

### **RESEARCH & DEVELOPMENT:**

During the year under review the Company has spent Rs.0.41 lakhs towards upgradation of in-house Research & Development wing at the Super Phosphate factory situated at Ennore near Chennai.

### **ACKNOWLEDGEMENT:**

Your Directors place on record their appreciation of the valuable support and help of the Financial Institutions, Government authorities, Banks and Employees. The co-operation and the forbearance of the members are gratefully acknowledged.

On behalf of the Board of Directors

Place: Chennai  
Date: 27.05.2011

**Pradip D. Kothari**  
**Chairman &**  
**Managing Director**

**ANNEXURE – A**

**CONSERVATION OF ENERGY**

**FORM – A**

Form for disclosure of particulars with respect to conservation of Energy

**A. Power and Fuel Oil consumption** **Current Year**  
**2010-11**

<b>(1) Electricity</b>		
a. Purchased power		
Units	:	937442
Variable cost (Rs.in lakhs)	:	-
Total cost (Rs. in lakhs)	:	56.90
Rate/Unit (Rs.)	:	4.00
Units charges (Rs./Unit)	:	4.00
Demand charges (Rs. / KVA)	:	300.00
b. Own generation	:	-
<b>(2) Coal</b>	:	-
<b>(3) Furnace oil/LSHS</b>	:	-
<b>(4) Diesel (in Litres)</b>	:	1560
<b>(5) Windfarm</b>	:	-

**B. Consumption per unit (MT) of production**

Product	:	Single Super Phosphate
Production	:	42019 MT
Electricity consumed	:	937442 units
Consumption Per unit (MT) of production	:	Rs.22.31

**FORM – B**

Form of disclosure of particulars with respect to absorption	:	-
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**FOREIGN EXCHANGE EARNINGS  
AND OUT GO**

Foreign Exchange earned	:	Nil
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## **Kothari Industrial Corporation Limited**

### **ANNEXURE- B**

#### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Kothari Industrial Corporation Limited is engaged in the core business of manufacturing and trading of Fertilizers and trading of Micro Nutrients including Straight Fertilizers. The key issues relating to this line of activity are discussed below:-

Indian Economy which is primarily dependent on agriculture besides industrial sector, records a substantial growth in the economy's performance. The growth of the agricultural sector is based on many factors including onset of the monsoon over the Indian Sub-continent. A good monsoon raises the hopes of the farmers and in turn the prospects of our business. We in turn continue to deliver fertilizers for increased output of the agricultural sector.

Our Company's products being branded ones enjoy a market especially in the southern parts of India. The Company recorded a turn over of Rs.9591.98 lakhs against the previous year turn over of Rs.5214.00 lakhs, thereby registering a growth of 83.97% during the year under review.

Your Company continues to exercise good control over all costs on direct or indirect with a aim to register profits for the Company.

A team of Internal Auditors continue to visit all the branches of the Company on regular basis to ensure adherence to the established systems and procedures. The audit reports are reviewed by the Senior Management Committee at the head office and Audit Committee at its review meetings at frequent intervals.

#### **OUTLOOK**

The current year looks promising with an above normal monsoon predicted and with limited availability of competing products. The imports of DAP – Di Ammonium Phosphate has been hampered in the first quarter of the year due to non finalization of contracts. The higher prices of DAP and other sources of phosphate from complex

Fertilizers coupled with limited availability of these products will augur well for the SSP Industry. This has been reflected in a substantial increase of over 30% in the overall consumption figures of SSP released by GOI.

Your Company with its strong Brand Presence and well established network of dealers hopes to take full advantage of the above factors. We have also set in place a dealer re engineering process which entails expansion of our dealer base in existing and new markets.

### **ANNEXURE – C**

#### **CORPORATE GOVERNANCE REPORT**

##### **1. Company's Philosophy:**

Kothari Industrial Corporation Limited firmly believes in the implementation of best practices of corporate governance so that the Company could achieve its corporate goals and further enhance stakeholder value. It has been its endeavour to attach a great deal of importance on ensuring fairness, transparency, accountability and responsibility towards stakeholders, besides consistently implementing best possible practices by providing optimum level of information and benefits to the stakeholders.

##### **2. Code of Conduct:**

The Code of Conduct laid down by the Company is applicable to the Board of Directors and all the Senior Management of the Company. This Code of Conduct emphasizes the Company's commitment to compliance with the highest standards of legal and ethical behaviour. All the Directors and Senior Management have adhered to the Code of Conduct and have signed declarations of compliance to the Code of Conduct. The declaration signed by Mr. Pradip D. Kothari, Chairman & Managing Director is given separately in the Annual Report.

### 3. Board of Directors:

The Board of Directors consists of Chairman & Managing Director and three Non-executive Independent Directors. Details of the composition and attendance of the Board and Committees thereof and the shares of the Company held by them are given separately in this Report. The personal information about Directors being reappointed is already appended to the Notice convening the Annual General Meeting.

None of the Directors of the Company is a member of more than 10 Committees

and Chairman of more than 5 Committees(as specified in clause 49(1)(C) of the Listing Agreement with the Stock Exchanges) across all companies in India of which he is a Director. All the Directors have certified that none of them are disqualified as on 31<sup>st</sup> March 2011 from being appointed as a Director in terms of Clause (g) of sub-section (1) of 274 of the Companies Act, 1956.

The non executive Directors are entitled to sitting fees for every meeting of the Board attended by them. The Chairman & Managing Director has been re-appointed without remuneration.

Directorship held by existing Directors and shares of the Company held by them as on 31<sup>st</sup> March, 2011 are given below:

Name of the Director	Number of other Companies Directorship	Number of other Companies Committees of which member	Number of shares of the Company held as on 31.03.2011
Shri.Pradip D. Kothari Chairman and Managing Director	Nil	Nil	1366288
Shri.K.Santhanam Director	1	Nil	Nil
Shri.Chetan Vijay Pagariya Director	Nil	Nil	Nil
Dr.Easo John Director	Nil	Nil	Nil

### 4. Audit Committee:

The Audit Committee presently consists of three non-executive Independent Directors i.e., Mr.K.Santhanam, Mr.Chetan Vijay Pagariya and Dr.Easo John. Mr.K.Santhanam is the Chairman of the Audit Committee. The Chairman & Managing Director, Internal Auditor, Statutory Auditor and the Company Secretary are invitees to the Audit Committee Meetings. The terms of reference of the Audit Committee cover the matters specified in respect of such Committee under Clause 49 of the Listing Agreement as amended from time to time and Section 292A

of the Companies Act, 1956. The broad terms of reference of the Audit Committee are to review financial reporting process and all financial results, statements and disclosures and recommend the same to the Board, review the internal audit reports and internal control systems and procedures and discuss the same with the internal auditors, to meet the statutory auditors and discuss their findings, the scope of audit, audit qualifications, if any, reviewing related party transactions, compliance with the listing agreements and other legal requirements and the Company's financial and risk management policies and compliance with



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statutory requirements. A Chartered Accountant firm have been appointed as the Internal Auditors of the Company. They report directly to the Audit Committee of the Board with respect to the areas covered by them.

Chennai, on the authorization given by the Board to the extent the shares are in the demat form. With respect to the shares held in physical form, the Company's Share Department undertakes the activities of share transfers etc.

### 5. Share Transfer Committee:

The Board has constituted a Share Transfer Committee to approve the Share Transfers, Transmissions, Transposition of name, Issue of Split / Duplicate share certificates, to ratify confirmations made to the demat requests received by the Company. The Committee consists of two Members namely Mr.Pradip D. Kothari and Mr.K.Santhanam. Mr.K.Santhanam is a non-executive independent Director. Mr.G.Mohan Das is the Member Secretary. The Chairman of the Committee is Mr.Pradip D. Kothari. Share transfers are effected by the Registrars and Share Transfer Agents (R&TA) M/s.Integrated Enterprises (India) Limited,

### 6. Shareholders' Grievance Committee:

The Board of Directors have constituted a Shareholders' Grievance Committee to address to the redressal of the investors complaints received by the Company / Registrar and Transfer Agents. The Committee consists of one Executive Director and two non-executive Independent Directors namely, Mr.Pradip D. Kothari, Mr.K.Santhanam and Mr.Chetan Vijay Pagariya respectively. Mr.G.Mohan Das is the Member Secretary/Compliance Officer. During the year 39 complaints were received from the investors and all of them were dealt with satisfactorily.

### 7. Attendance of Directors:

Remuneration and attendance of Directors at the meetings of the Board or Committee thereof during the year ended 31<sup>st</sup> March, 2011 are given below:

Name of the Director	Board Meetings	Audit Committee Meetings	Share Transfer Committee Meetings	Shareholders' Grievance Committee Meetings	AGM held on 28 <sup>th</sup> September 2010	Directors Sitting Fees Rs.
Shri.Pradip D. Kothari Chairman and Managing Director	4	Nil	12	Nil	Attended	Nil
Shri.K.Santhanam Director	4	4	12	4	Attended	40000
Shri.Chetan Vijay Pagariya Director	4	4	Nil	4	Attended	40000
Dr.Easo John Director	4	3	Nil	Nil	Attended	40000

Note: 4 Board Meetings were held during the year on 23.06.10, 24.08.10, 22.11.10 & 14.02.11, 4 Audit Committee Meetings were held during the year on 23.06.10, 23.08.10, 22.11.10 & 14.02.11, 12 Share Transfer Committee Meetings were held during the year on 26.04.10, 21.05.10, 31.05.10, 30.06.10, 28.07.10, 26.08.10, 23.09.10, 26.10.10, 26.11.10, 20.12.10, 27.01.11 & 25.02.11 and 4 Shareholders' Grievance Committee Meetings were held on 30.06.10, 30.09.10, 31.12.10 & 31.03.11.

### 8. Disclosures:

- There were no materially significant related party transactions that had potential conflict with the interests of the Company at large.
- There have been no instances of non-compliance by the Company on any matters related to the capital markets nor have any

penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters.

- iii. The Company has complied with all the mandatory requirements stipulated under Clause 49 of the Listing Agreement with the Stock Exchange.

#### 9. Means of Communication:

As stipulated under Clause 41 of the Listing Agreement the quarterly / half-yearly results will be published by the Company in one English national newspaper and one Tamil newspaper within 48 hours of the conclusion of the Board Meeting in which the results are approved. They will also be displayed at the proposed website of the Company.

#### 10. General Shareholder Information:

- (i) The Forty-first Annual General Meeting of the Company will be held on 21<sup>st</sup> September, 2011 at Rani Seethai Hall, 603, Anna Salai, Chennai - 600006. The particulars of Annual General Meetings held during the last three years along with the special resolutions passed are as under:

Year	Date & Time	Venue	Special Resolutions considered thereof	Result
2007-08	24.09.2008 10.30 a.m.	Rani Seethai Hall 603, Anna Salai, Chennai – 600006.	Nil	-
2008-09	14.12.2009 03.30 p.m	-do-	(1) Special Resolution pursuant to consent of the members for rescinding of issue of 1,24,83,885 equity shares of Rs.5/- each on Rights basis to existing members in the ratio of one equity share of Rs.5/- each for every fully paid-up equity share of Rs.5/- each as approved at the EGM held on 12.02.2009. (2) Special Resolution pursuant to the provisions of Sec. 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and in accordance with the enabling provisions of the Memorandum and Articles of Association of the Company, etc. for issue of 75,26,725 fully paid equity shares of the face value of Rs.5/- each aggregating to Rs.3,76,33,625/- to Promoters, Promoter Group / associates.	Passed  Passed
2009-10	28.09.2010 11.00 a.m	Narada Gana Sabha 314, T.T.K Road, Chennai - 600 018	Nil	-

No resolution has been put through postal ballot.

No special resolution or ordinary resolution on matters requiring postal ballot are placed for approval of shareholders at the forthcoming 41<sup>st</sup> AGM to be held on 21<sup>st</sup> September, 2011.

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- (ii) **Book Closure dates :** Monday the 29<sup>th</sup> August, 2011 to Wednesday the 31<sup>st</sup> August, 2011(both days inclusive).
- (iii) **Listing of Equity Shares:** The Company has already made an application with Bombay Stock Exchange for re-listing of its shares and said application is being processed.

### 11. Registrar and Share Transfer Agents:

All share registry work in respect of demat segments are handled by M/s.Integrated Enterprises(I) Ltd., II Floor, "Kences Towers", 1, Ramakrishna Street, off North Usman Road, T.Nagar, Chennai 600 017 as the Registrar and Transfer Agent (R&TA) of the Company for all aspects of Investor servicing relating to the demat of shares and the physical shares are handled by the Company's Shares Department.

### 12. Distribution of shareholding as on 31<sup>st</sup> March, 2011:

Range	Shareholders		Shares	
	Number	%	Number	%
UPTO 100	42345	81.52	1920012	12.29
101 - 200	5664	10.90	913161	5.85
201 - 500	2813	5.42	927892	5.94
501 - 1000	714	1.37	529963	3.39
1001 – 5000	273	0.53	493419	3.16
5001 – 10000	30	0.06	208903	1.34
10001 AND ABOVE	103	0.20	10625702	68.03
	51942	100.00	15619052	100.00

### 13. Shareholding Pattern as on 31<sup>st</sup> March, 2011:

Sl. No.	Category	No. of holders	No. of shares	%
A	Promoters	68	4362139	18.36
B	Others			
1	Residents (individuals/clearing members)	51526	4968063	31.81
2	Financial Institutions/ Insurance Co./Banks/UTI	44	2788061	17.85
3	Foreign Institutional Investors	-	-	-
4	Bodies Corporate	277	2939486	13.32
5	Directors & Relatives	9	13247	0.08
6	Non Resident Indians	6	103890	0.66
7	Trusts	12	444166	2.84
	Total	51942	15619052	84.93

**14. Dematerialization of shares:**

As on 31<sup>st</sup> March 2011, 5275175 equity shares were held in dematerialized form representing about 34% of the total shares. The balance were held in physical form.

**15. Plant Location:**

Super Phosphate Factory  
Ennore  
Chennai – 600 057.

**16. Address for Correspondence:**

Investors may contact the Registrar and Share Transfer Agents (R&TA) for matters related to demat of shares and related issues at the following address:

**M/s.Integrated Enterprises(I) Ltd.,**

II Floor, “Kences Towers”,  
1, Ramakrishna Street,  
off North Usman Road, T.Nagar,  
Chennai 600 017

For matters relating to physical shares, annual reports and other general matters or in case of any difficulties/grievances investors may contact:

**Company Secretary & Compliance Officer**

**M/s.Kothari Industrial Corporation Limited**

“Kothari Buildings”  
No.114/117, Mahathma Gandhi Salai,  
Nungambakkam,  
Chennai – 600 034.  
Phone No.044-28334565  
Fax No.044-28334581  
E-mail: [mohandas@kotharis.in](mailto:mohandas@kotharis.in)

## **Kothari Industrial Corporation Limited**

### **Certification of the Chairman & Managing Director to the Board with respect to adherence and declaration of compliance with Code of Conduct:**

I, Pradip D. Kothari, Chairman and Managing Director of Kothari Industrial Corporation Limited hereby certify that

- (a) I have reviewed the financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2011 and that to the best of my knowledge and belief:
  - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) I accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control system of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) I have indicated to the auditors and the Audit Committee that:
  - (i) There has not been any significant change in the internal control over financial reporting during the year under review.
  - (ii) There has not been any significant change in the accounting policies during the year requiring disclosure in the notes to the financial statements and
  - (iii) To the best of my knowledge and belief, there was no instance of any significant fraud during the year with the involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place: Chennai  
Date : 27.05.2011

**Pradip D. Kothari**  
**Chairman and Managing Director**



### **Declaration on compliance with Code of Conduct**

Pursuant to Clause-1(D) of Clause 49 of the Listing Agreement, it is hereby affirmed that for the financial year ended 31<sup>st</sup> March, 2011, all the Board members and Senior Management personnel have affirmed compliance with the Code of Conduct adopted by the Company.

Chennai  
Date: 27.05.2011

**Pradip D. Kothari**  
**Chairman and Managing Director**

### **Certificate of the Statutory Auditors on compliance of Corporate Compliance:**

#### **To the members of Kothari Industrial Corporation Limited:**

We have examined the compliance of conditions of Corporate Governance by Kothari Industrial Corporation Limited for the year ended 31<sup>st</sup> March, 2011, as stipulated in Clause 49 of the listing agreement of the said Company with the stock exchanges.

The compliance of the conditions of the 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 explanation given to us, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned listing agreement.

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

**For B.B. NAIDU & CO**  
**Regn.No.002291S**  
**Chartered Accountants**

Place:Chennai  
Date : 27.05.2011

**A.SEKAR**  
**Partner**  
Membership No.18784

## **Kothari Industrial Corporation Limited**

### **REPORT OF THE AUDITORS**

**To**  
**The Members of**  
**Kothari Industrial Corporation Limited**

We have audited the attached Balance Sheet of M/s Kothari Industrial Corporation Ltd., Chennai – 600034 as of 31st March, 2011, the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 and amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956. We enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Attention is invited, without qualifying our Report to note no.1 in Schedule No.16 to the accounts mentioning the reasons by the management for presenting the accounts on principles applicable to a "Going Concern".
4. Further to our comments in the annexure referred to above, we state that:
  - (i) In our opinion, proper books of account as required by law have been maintained so far as appears from the examination of those books
  - (ii) The Balance Sheet and Profit and Loss Account and the Cash Flow Statement referred to in this report are in agreement with such books of account referred to in paragraph (i) above.
  - (iii) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statements dealt with this report comply with the Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956 .
  - (iv) In our opinion, the said accounts together with the accounting policies and notes on accounts and read with para 4 above, give the information required under the Companies Act, 1956 in the manner required.
5. On the basis of written representations received from the Directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause(g) of sub-section(1) of Section 274 of the Companies Act, 1956.
6. We report that
  - (i) the Balance Sheet gives a true and fair view of the state of the company's affairs as at 31st March, 2011
  - (ii) the Profit & Loss Accounts gives true and fair view of the loss for the year.
  - (iii) In the case of the Cash flow statement for the year ended 31st March, 2011, the cash flows for the year ended on that date.

**For B.B. NAIDU & CO**  
**Regn.No.002291S**  
**Chartered Accountants**  
**A.SEKAR**  
**Partner**  
Membership No.18784

Place:Chennai  
Date : 27.05.2011

**ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE PERIOD ENDED 31.03.2011**

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
  
(b) All the fixed assets have been physically verified by the Management in a phased manner according to the Company's procedure.  
  
(c) During the year the Company has not disposed off a major part of its fixed assets and does not therefore affect the going concern aspect of the Company.
2. (a) The inventories have been periodically physically verified during the year by the Management and in our opinion, the frequency of verification is reasonable.  
  
(b) The procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.  
  
(c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed during physical verification between the physical stocks and the book records were not material.
3. (a) The Company has not granted any loan during the year to any party listed in the Register maintained under Section 301 of the Companies Act, 1956.  
  
(b) The company has not taken any loan from parties listed in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and there are no major weaknesses in such internal control.
5. Based on the Register maintained under Section 301 of the Companies Act, transactions exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from public during the year.
7. The internal audit is being carried out by an external firm of Chartered Accountants, which in our opinion is commensurate with the size of the company and nature of its business.
8. The maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 does not apply to any of the products of the company.
9. (a) According to the records of the Company, the company has not fully deposited with appropriate authorities undisputed statutory dues i.e., Income Tax amounting to Rs.49.08 lakhs.



## Kothari Industrial Corporation Limited

(b) According to the information and explanation given to us, no undisputed amounts payable in respect of income-tax, sales-tax, customs duty and excise duty were outstanding as at 31.3.2011 for a period of more than six months from the date they became payable.

(c) According to the records of the company, there are dues of sales tax, income-tax, customs duty/wealth-tax, excise duty/cess which have not been deposited on account of disputes with statutory authorities, which is furnished below:

Details of Dispute	Nature of Dispute	Forum of Dispute	Period	Amount Rs. in Lakhs
I – Tamilnadu Branch Transfer of Fertilisers Non-receipt of 'C' Forms and Disputed tax on sulphur loan	TNGST & CST	D.C.C.T. Appeals STAT and High Court Stay	1988-89 to 1991-92	872.97
II – Karnataka Turnover tax on NPK Mixture	KST	STAT - Stay	1996-97	3.87
III – Kerala Disputed rate of tax	KGST	STAT - Stay	2001-02	0.05
Total				876.89
<u>REMANDED BACK TO ASSESSING AUTHORITIES</u> Branch Transfer of fertilizers, Non-receipt of 'C' Forms and Disputed Taxes	TNGST & CST	D.C.C.T. Appeals, STAT and High Court	1985-86 to 1997-98	77.42

10. The Company has accumulated losses at the end of the financial year which is more than 50% of its net worth. The Company has incurred cash losses during the current as well as in the immediate preceding financial year.
11. Based on our examination of the books and on the information and explanation given by the management, the company has defaulted in repayment of dues to financial institutions and banker(s) and the matter is pending adjudication before the Hon'ble Debt Recovery Tribunal, Chennai.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
13. In our opinion, according to the information and explanation given to us. the nature of activities of the company does not attract in special statute applicable to Chit Fund and Nidi/Mutual Benefit Fund / Societies.
14. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transaction and contracts in relation to shares, debentures and other instruments and timely entries have been made in those records. We also report that the company has held the shares, securities in its own name.

15. The company has not given guarantee for loans taken by others from banks and financial institutions during the year.
16. Accordingly to the information and explanations given to us, the Company has not taken any term loan during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment. However, the Company has raised short term loans and utilized the same for repaying long term debts.
18. Based on our examination of record and the information provided to us by the Management we report that the company has not made preferential allotment of shares to parties and companies covered in the register maintained under Sec.301 of the Act.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the period covered by our audit.
21. Based upon the audit procedures performed and based on the available information and explanations given by the management we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For B.B. NAIDU & CO**  
**Regn.No.002291S**  
**Chartered Accountants**

**A.SEKAR**  
**Partner**  
Membership No.18784

Place:Chennai  
Date : 27.05.2011

**KOTHARI INDUSTRIAL CORPORATION LIMITED**

**BALANCE SHEET AS AT 31ST MARCH 2011**

		Rupees in lacs		
SCHEDULE		As at 31.3.2011	As at 31.3.2010	
<b>SOURCES OF FUNDS</b>				
Shareholders' Funds				
Share Capital	1	<b>702.00</b>	1326.20	
Reserves and Surplus	2	<u><b>1319.39</b></u>	<u>2399.66</u>	
		<b>2021.39</b>		3725.86
Loan Funds				
Secured	3	<b>2022.58</b>	3074.31	
Unsecured	4	<u><b>327.85</b></u>	<u>345.63</u>	
		<u><b>2350.43</b></u>		<u>3419.94</u>
		<u><b>4371.82</b></u>		<u>7145.80</u>
<b>APPLICATION OF FUNDS</b>				
Fixed Assets				
Gross Block	5	<b>4411.98</b>	4325.99	
Less: Depreciation		<u><b>2243.73</b></u>	<u>1992.94</u>	
		<b>2168.25</b>		2333.05
Deferred Tax Asset				
Investments	6	<b>778.03</b>		778.03
Current Assets, Loans and advances		<b>0.09</b>		0.09
Current Assets				
Inventories	7	<b>568.02</b>	976.27	
Sundry Debtors		<b>512.53</b>	661.12	
Cash and Bank Balances		<u><b>270.95</b></u>	<u>327.73</u>	
		<u><b>1351.50</b></u>	<u>1965.12</u>	
Loans and advances	8	<b>755.54</b>	<u>774.01</u>	
		<u><b>2107.04</b></u>	<u>2739.13</u>	
Less: Current Liabilities and Provisions				
	9	<u><b>3002.50</b></u>	<u>2223.99</u>	
		<b>(895.46)</b>		515.14
Miscellaneous Expenditure & Losses (to the extent not written off or adjusted) (Note No.8)				
		<b>19.43</b>		45.33
Profit and Loss Account Balance	10	<u><b>2301.48</b></u>		<u>3474.16</u>
		<u><b>4371.82</b></u>		<u>7145.80</u>

Notes on Accounts 16

This is the Balance Sheet referred to in our report of even date

Schedules 1 to 10 and 16 form part of this Balance Sheet

**For and on behalf of the Board**

**For B.B. NAIDU & CO**  
**Regn. No.002291S**  
**Chartered Accountants**  
**A. SEKAR**  
**Partner**

Membership No.18784  
Place : Chennai  
Date : 27.05.2011

**PRADIP D.KOTHARI**  
**Chairman &**  
**Managing Director**

**K. SANTHANAM**  
**Director**

**KOTHARI INDUSTRIAL CORPORATION LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

		Rupees in Lacs		
	SCHEDULE	31.03.2011	31.03.2010	
<b>INCOME</b>				
Sale of Fertilisers		9591.98	5214.00	
Profit on Sale of Fixed Assets		337.66	124.84	
Profit on sale of Land (Stock in Trade)		663.55	-	
Other Income	11	<u>183.84</u>	<u>286.26</u>	<u>5625.10</u>
		<u>10777.03</u>	<u>10777.03</u>	<u>5625.10</u>
<b>EXPENDITURE</b>				
Purchase of finished goods		4050.61	2495.51	
Manufacturing and other expenses	12	5009.95	3211.55	
Increase/(Decrease) in closing stock of finished goods and Work-in-process	13	192.02	(456.05)	
Salaries, Wages and other Employee Benefits	14	589.14	9,841.72	359.81
Profit/(Loss) before Interest and Depreciation		<u>935.31</u>	<u>935.31</u>	14.28
Interest & Finance Charges		181.56	-	67.87
Profit after Interest		<u>753.75</u>	<u>753.75</u>	(53.59)
<b>Exceptional Items</b>	15	<u>(1033.86)</u>	<u>(1033.86)</u>	<u>(39.97)</u>
Loss before Depreciation		<u>(280.11)</u>	<u>(280.11)</u>	(93.56)
Depreciation		251.67	255.70	
Less: Withdrawn from Fixed Assets Revaluation Reserve		<u>215.74</u>	<u>35.93</u>	<u>239.78</u>
		<u>(316.04)</u>	<u>(316.04)</u>	(109.48)
<b>Provisions:</b>				
i) Provision for Deferred Tax (Asset)/Liability Loss for the year		-	-	211.74
		<u>(316.04)</u>	<u>(316.04)</u>	<u>(321.22)</u>
Balance of Loss for the year brought forward		<u>(3474.16)</u>	<u>(3474.16)</u>	(3152.94)
Less: Reduction of Share Capital and Premium thereon (Note No.2(viii))		1488.72	(1985.44)	-
Balance of Loss carried to Balance Sheet		<u>(2301.48)</u>	<u>(2301.48)</u>	<u>(3152.94)</u>
		<u>(2301.48)</u>	<u>(2301.48)</u>	<u>(3474.16)</u>
Earning per share (Annualised) in Rs.		<u>(2.38)</u>	<u>(2.38)</u>	(2.42)

Notes on Accounts 16

Schedules 11 to 16 form part of this Profit and Loss Account

This is the Profit and Loss account referred to in our report of even date

**For and on behalf of the Board**

**For B.B. NAIDU & CO**

**Regn. No.002291S**

**Chartered Accountants**

**A. SEKAR**

**Partner**

Membership No.18784

Place : Chennai

Date : 27.05.2011

**PRADIP D.KOTHARI**  
**Chairman &**  
**Managing Director**

**K. SANTHANAM**  
**Director**

## Kothari Industrial Corporation Limited

### Schedules to Accounts

Rupees in lacs

As at 31.3.2011

As at 31.3.2010

#### SCHEDULE 1

##### SHARE CAPITAL

Authorised				
2,50,00,000	Equity Shares of Rs.10/- each	<u>2500.00</u>		<u>2500.00</u>
Issued				
1,58,99,052	Equity Shares of Rs.10/-	<u>1589.91</u>		<u>1589.91</u>
Subscribed				
1,56,19,052	Equity Shares of Rs.10/- each	<u>1561.91</u>		<u>1561.91</u>
Paid-up				
1,24,83,885	Equity Shares of Rs.10/- each (Rs.5/- per share w.e.f 31.08.2010 - See Note below)	<u>624.19</u>		1248.39
Less: Calls-in-arrears due by persons other than Directors		<u>0.57</u>		<u>0.57</u>
		<u>623.62</u>		1247.82
31,35,167	Equity Shares of Rs.10/- (31,35,167) each - Rs.2.50 per share paid-up [Note 2 (v) & (vi)]	<u>78.38</u>		<u>78.38</u>
		<u>702.00</u>		<u>1326.20</u>

##### NOTE:

The Hon'ble High Court of Judicature at Madras by its Order dated 31st August, 2010 approved the reduction in the Paid-up Value of Equity Shares from Rs.10/- to Rs.5/- per share. Consequently, the Paid-up Value of Equity Share stands reduced at Rs.5/- per share with effect from that date.

#### SCHEDULE 2

##### RESERVES AND SURPLUS

##### RESERVES

Capital Reserve :		<u>65.85</u>		65.85
Capital Redemption Reserve		<u>18.00</u>		18.00
Share Premium Account				
Balance as on 1.4.2010	<u>1290.06</u>		1290.06	
Less: Withdrawn during the year (Note No.2(viii))	<u>864.53</u>	<u>425.53</u>	<u>-</u>	1290.06
Fixed Assets Revaluation				
Balance as on 1.4.2010	<u>1025.75</u>		1265.53	
Less: Withdrawn during the year	<u>215.74</u>	<u>810.01</u>	<u>239.78</u>	<u>1025.75</u>
		<u>1319.39</u>		<u>2399.66</u>

Rupees in lacs

	<b>As at 31.3.2011</b>	As at 31.3.2010
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>FROM BANKS</b>		
Working Capital Loan		
Term loans	<b>1150.00</b>	2166.54
(Note No.:3)		
Other Loans	<u><b>872.58</b></u>	<u>907.77</u>
	<u><b>2022.58</b></u>	<u>3074.31</u>
 <b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
Advance towards Preferential Allotment of share	<b>327.85</b>	275.35
(See Note 4)		
Others	-	70.28
	<u><b>327.85</b></u>	<u>345.63</u>

## Kothari Industrial Corporation Limited

<b>SCHEDULE 5</b>			<b>Fixed Assets</b>		<b>Rupees In Lacs</b>		
<b>Gross Block</b>			<b>Depreciation</b>		<b>Net Block</b>		
To	Additions	Total	Upto	For the	Total	As at	As at
31.3.2010	(Deletions)	upto	31.3.2010	year	Upto	31st Mar.	31st Mar.
Cost/ Revaluation		31.3.2011		(Deduct- ions)	31.3.2011	2011	2010
<b><u>Tangible Assets</u></b>							
Land	8.56	-	8.56	-	-	8.56	8.56
Buildings	3464.45	3.16 3.39	3464.22	1268.80	219.72	1487.64	1976.58
Plant and Machinery	672.93	52.63 -	725.56	573.90	20.05	593.95	131.61
Furniture & Fittings	93.78	4.72 -	98.50	86.52	1.51	88.03	10.47
Vehicles	86.27	28.87 -	115.14	63.72	10.39	74.11	41.03
	4325.99	85.99	4411.98	1992.94	251.67	2243.73	2168.25
							2333.05

## SCHEDULE 6

Rupees in lacs

INVESTMENTS (AT COST)	No. of Shares/ Face Value	Nominal Value per Share	As at 31.3.2011	As at 31.3.2010
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### INVESTMENTS (AT COST) - UNQUOTED

Non-Trade  
In Government Securities

National Savings Certificates	Rs. 9000		0.09	0.09
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	Rupees in lacs	
<b>SCHEDULE 7</b>	<b>As at 31.3.2011</b>	<b>As at 31.3.2010</b>
<b>CURRENT ASSETS</b>		
Inventories		
Stores and Spares	7.76	7.76
Packing Materials	28.52	15.95
Raw materials	180.10	323.61
Finished goods	276.66	468.69
Stock-in-Trade (Land)	<u>74.98</u>	<u>160.26</u>
	<b>568.02</b>	976.27
Sundry Debtors (Unsecured)		
Outstanding for a period exceeding six months		
Considered good	94.19	21.30
Considered doubtful	-	17.78
Others (Outstanding for a period less than six months)		
Considered good	<u>418.34</u>	<u>639.82</u>
	<b>512.53</b>	678.90
Less: provision for doubtful debts	<u>-</u>	<u>17.78</u>
	<b>512.53</b>	661.12
Cash and Bank Balances		
Cash on hand	10.02	7.82
Balances with scheduled banks		
In Current accounts	251.98	311.30
In Deposit accounts	<u>8.95</u>	<u>8.61</u>
	<b>270.95</b>	327.73
	<u><b>1351.50</b></u>	<u>1965.12</u>
<b>SCHEDULE 8</b>		
<b>LOANS AND ADVANCES</b>		
Unsecured and considered good (recoverable in cash or in kind or for value to be received)	<b>755.54</b>	774.01
	<u><b>755.54</b></u>	<u>774.01</u>



## Kothari Industrial Corporation Limited

### SCHEDULE 9

Rupees in lacs

**CURRENT LIABILITIES AND PROVISIONS** As at 31.3.2011 As at 31.3.2010

#### A. Current Liabilities

Sundry creditors	<b>1100.58</b>	1487.02
Unclaimed / Unpaid dividends (Note No.6)	<b>6.98</b>	6.98
Other liabilities	<b>1819.61</b>	703.31
	<u><b>2927.17</b></u>	<u>2197.31</u>

#### B. Provisions

Taxation	-	5.53
Gratuity	<b>75.33</b>	21.15
	<u><b>75.33</b></u>	<u>26.68</u>
	<u><b>3002.50</b></u>	<u>2223.99</u>

### SCHEDULE 10

#### PROFIT AND LOSS ACCOUNT

Balance as on 1.4.2010	<b>(3474.16)</b>	(3152.94)
Reduction based on High Court order (Note No.2(viii))	<b>1488.72</b>	-
Loss for the year	<u><b>(316.04)</b></u>	<u>(321.22)</u>
	<b>(2301.48)</b>	(3474.16)
	<u><b>(2301.48)</b></u>	<u>(3474.16)</u>

Rupees in lacs

<b>SCHEDULE 11</b>	<b>2010 - 11</b>	<b>2009 - 10</b>	
<b>OTHER INCOME</b>			
Rent	163.50	181.72	
Interest	3.09	5.82	
Dividend	-	0.03	
Royalty/Management fees	-	39.86	
Miscellaneous income	17.25	55.56	
Foreign Exchange gain	-	3.27	
	<u>183.84</u>	<u>286.26</u>	
<b>SCHEDULE 12</b>			
<b>MANUFACTURING AND OTHER EXPENSES</b>			
Raw materials consumed			
Opening Stock	323.61	69.76	
Add: Purchases	<u>2706.32</u>	<u>2411.96</u>	
	<b>3029.93</b>	<b>2481.72</b>	
Less: Closing Stock	<u>180.10</u>	<u>323.61</u>	
	<b>2849.83</b>	<b>2158.11</b>	
Stores and packing materials consumed	204.11	112.71	
Power and fuel	56.90	19.84	
Repairs and maintenance			
Plant and Machinery	147.69	5.61	
Buildings and others	21.64	28.47	
Other manufacturing expenses	457.37	261.05	
Rent	47.25	29.69	
Rates and taxes	8.75	8.67	
Insurance	12.24	8.38	
Professional / Legal Charges	93.31	72.30	
Selling expenses	762.62	339.62	
Commission on sales	-	(0.93)	
Other Expenses	335.20	161.31	
Directors' sitting fees	1.20	2.10	
Auditors' remuneration	6.53	4.61	
Exchange Loss	<u>5.31</u>	<u>--</u>	
	<b>2160.12</b>	<b>1053.44</b>	
	<u><b>5009.95</b></u>	<u><b>3211.55</b></u>	

## Kothari Industrial Corporation Limited

Rupees in lacs

### SCHEDULE 13

(Increase)/Decrease in Closing  
Stock of finished goods and  
Work-in-process

		2010-11		2009-10
Opening Stock				
Finished goods	468.69		12.64	
Land converted into Stock-in-trade on 1st April 2007	160.26		160.26	
Less: Transferred on sale of land	<u>(85.29)</u>	543.66	-	172.90
Less: Closing Stock				
Finished goods	276.66		468.69	
Land held as stock-in-Trade	<u>74.98</u>		160.26	
		<u>351.64</u>		628.95
		<u>192.02</u>		<u>(456.05)</u>

### SCHEDULE 14

#### SALARIES, WAGES AND OTHER

#### EMPLOYEE BENEFITS

Salaries, Wages and Bonus		453.09		281.33
Contribution to Provident and other Funds		46.32		31.73
Gratuity		55.36		21.15
Welfare expenses		<u>34.37</u>		25.60
		<u>589.14</u>		<u>359.81</u>

### SCHEDULE 15

#### EXCEPTIONAL ITEMS

Provision for anticipated one time settlement to a Bank		1025.56		(126.13)
Debit / Credit of Earlier Years		8.30		86.16
		<u>1033.86</u>		<u>(39.97)</u>

**Schedule 16**  
**NOTES ON ACCOUNTS**



**I. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared on accrual basis of accounting and in accordance with the applicable Accounting Standards.

**(i) REVENUE RECOGNITION**

Revenue is recognized on accrual basis and is inclusive of excise duty wherever applicable.

**(ii) FOREIGN CURRENCY TRANSACTIONS**

Foreign Currency transactions are recorded at the rates prevailing on the date of the transactions. Exchange differences arising on settlement are recognized in the Profit & Loss account. Outstanding foreign balances are restated at exchange rates prevailing on the Balance Sheet date.

**(iii) EMPLOYEE BENEFITS**

Short term employee benefits are estimated and provided for. Further Company's contribution to Provident Fund, Employees State Insurance and other funds are determined under the relevant schemes and/or statute are charged to revenue. Gratuity is provided for in the accounts based on an Actuarial Valuation.

**(iv) FIXED ASSETS**

Fixed Assets are valued at cost. Most of the fixed assets were revalued to reflect the true value of such assets and the incremental appreciation on account of such revaluation was credited to Fixed Assets Revaluation Reserve in earlier years.

**(v) DEPRECIATION**

Depreciation is provided on Written Down value method on all assets at the appropriate rates in accordance with Schedule XIV to the Companies Act, 1956. The incremental differential depreciation on account of revaluation of certain depreciable assets is charged against Fixed Assets Revaluation Reserve account.

**(vi) BORROWING COST**

Interest cost on qualifying asset being an asset necessarily takes a substantial period of time to get ready for its intended use or sale, is capitalized at the weighted average rate of the funds borrowed and utilized for acquisition of such assets.

**(vii) IMPAIRMENT OF ASSETS**

The carrying cost of assets are reviewed at each Balance Sheet date and if there is any indication of impairment based on internal/external factors, the same is recognized and provided for.

**(viii) INVESTMENTS**

Investments meant to be held for long term are carried at cost.

**(ix) INVENTORIES**

Superphosphate and Fertilizer mixtures are valued at lower of cost and net realizable value following first in first out method.

Raw materials, Stores and Spare parts are valued at weighted-average cost and are inclusive of excise duty and other taxes wherever applicable.

## Kothari Industrial Corporation Limited

### II. NOTES ON ACCOUNTS

1. The Company presently is facing certain difficulty in servicing debt and repayment on time of loans, due to insufficient cash flow from operations. The Company has business plans to utilize the full capacity of super phosphate factory which would significantly improve profitability besides optimum utilization of additional land available at Ennore for certain specified diversified business activity which would ensure additional cash inflows. Further the Company is contemplating to dispose off certain small parcels of land not useful to the Company to settle certain creditors. Due to reduction of the paid-up value of Equity Shares of the Company pursuant to the Order of the Hon'ble High Court dated 31.08.2010, the net worth of the Company is fully eroded as at 31<sup>st</sup> March, 2011. The Company has plans to issue preference shares to Promoters/Promoter Group and associates which would bring in additional inflow for operations.

Taking all the above developments which would significantly improve the profitability and net worth of the Company, the financial statements have been prepared on the principles applicable to going concern.

### 2. SHARE CAPITAL

Out of the Paid-up Capital

- (i) 22,25,850 Equity Shares of Rs.10/- each were allotted as fully paid on amalgamation in February 1972 for consideration other than cash.
- (ii) 8,29,760 Equity Shares of Rs.10/- each fully paid were allotted for consideration other than cash to certain financial institutions on conversion of part of secured loans, in the year 1981.
- (iii) 20,00,000 Equity Shares of Rs.10/- each fully paid were allotted for consideration other than cash on 01.10.1983 as per the terms of issue to the holders of 13.5% Convertible Secured Debentures issued to the Public.
- (iv) 45,68,200 Equity Shares of Rs.10/- each were allotted on 25.08.93 as fully paid on part conversion of 16% Secured Partly convertible Redeemable Debentures allotted on 25.02.93.
- (v) 24,74,569 Equity Shares of Rs.10/- each were allotted on 16.05.95 to the Promoters group of which Rs.2.50 per share being the amount payable on application and allotment amount to Rs.61.86 lakhs was paid up. The resolution passed by the shareholders authorizing the issue of above shares has been set aside by the City Civil Court on 14.12.2000 and upon compliance of the necessary formalities including an order from the High Court, if so required, appropriate adjustments would be made in the accounts.
- (vi) 6,60,598 Equity Shares of Rs.10/- each were allotted on 20.06.95 to a Overseas Bodies Corporate of which Rs.2.50 per share being amount payable on application and allotment amounting to Rs.16.52 lakhs was paid up. The resolution passed by the shareholders authorizing the issue of above shares has been set aside by the City Civil Court on 14.12.2000 and upon compliance of the necessary formalities, including an order from the High Court, if so required, appropriate adjustments would be made in the accounts.
- (vii) The consent terms filed on 05.03.2000 with the Supreme Court and decreed by the said Court in the matter of share allotment and sale of 5.33 grounds of land effects of the decree has not been considered in the books of accounts of the company, since the consent decree terms are yet to be implemented. A suit has since been filed in Madras High Court for implementation of the scheme.

- (viii) The Hon'ble High Court of Judicature at Madras by its Order dated 31<sup>st</sup> August, 2010 approved the Company's proposal of Reduction of the Face Value of Equity Shares along with the proposal for proportionate Reduction of Premium on such Equity Shares. As a result an amount of Rs.624.19 lakhs representing the Reduction of the Face Value of Equity Shares and Rs.864.53 lakhs representing the proportionate reduction on premium of such reduction on shares both aggregating to Rs.1488.72 lakhs has been set off against the accumulated losses carried forward by the Company.

The Board is authorized by the shareholders to issue of Equity Shares on preferential basis to promoters / promoters' group / associates and others immediately after the approval for Reduction of Capital has been obtained from the Hon'ble High Court of Judicature at Madras and on completion of necessary formalities regarding listing of shares with Bombay Stock Exchange.

### 3. SECURED LOANS

Loans and advances from banks are secured on immovable properties and current assets of the Company and guaranteed in certain cases by the promoter. Negotiations have reached a final stage with respect to loans due and payable by the Company to a Bank. Secured loans from a Company and an individual respectively are secured by equitable charge on certain properties of the Company.

### 4. UNSECURED LOANS

Pursuant to the approval of the shareholders at the 39<sup>th</sup> Annual General Meeting for the issue of shares on preferential basis after the Court's sanction for the reduction in the face value of equity shares, promoters and few of his business associates have placed advance monies aggregating to Rs.327.85 lakhs.

### 5. CONTINGENT LIABILITIES

	Rs.in lakhs 31.03.2011	Rs. in lakhs 31.03.2010
(i) Outstanding guarantees	7.00	7.00
(ii) Disputed sales tax demands under appeal including stay of recovery granted for Rs.854.65 lakhs (Rs.20.50 lakhs paid under protest included under advances) (Based on another Supreme Court order and legal Opinion such demands may not be sustainable)	876.89	876.89
(iii) Claims against the Company not acknowledged as debt (exclusive of interest)	145.00	145.00
(iv) Differential Customs Duty on Import machinery Availed under export obligation scheme	84.07	84.07
(v) Interest if any payable on Mortgage Loan is under negotiation along with other connected issues and the rate of interest and quantum thereof, if any, and is presently under negotiation and pending resolution and quantification of the liability, if any, has not recognized in the accounts	450.00	450.00
	-	-

## Kothari Industrial Corporation Limited

6. The issue of transfer of unclaimed/unencashed dividends of Rs.6.98 lakhs upto 1981-82 to Government is pending before the High Court of Judicature at Madras.
7. **Fixed Assets**
- (i) Land and buildings at Fertilizer Division were revalued in the years 1989, 1992 and again on 1<sup>st</sup> April 1995.
- (ii) Part of the "Kothari Building" belonging to the Company was revalued at the fair market value on 31<sup>st</sup> March 2002 by an approved valuer.
- (iii) The appreciation in the value of the above fixed assets has been credited to Fixed Asset Revaluation Reserve.
8. Start up expenditure with respect to the Fertilizer Factory situated at Ennore which was restarted in February 2009 are amortised over a period of 36 months and the unabsorbed balance is reflected under "Miscellaneous Expenditure & Losses" in the Balance Sheet.
9. The Company's liability towards Gratuity to employees has been provided on reasonable estimates but not on actuarial basis. The Company has taken steps to determine the liability in accordance with the Accounting Standard No.15 on "Retirement Benefits" and adjust the provision accordingly, however, in the opinion of the management the incremental adjustment would not be material.

10. **Auditors' Remuneration:**

	<u>Rupees in lakhs</u>	
	<u>2010-11</u>	<u>2009-10</u>
Audit Fees	3.23	2.25
Tax Audit	<u>1.63</u>	<u>1.25</u>
Certification of statements	<u>1.67</u>	<u>1.11</u>
Total	6.53	4.61

11. **Related Parties Disclosure:**

- (a) Name of Key Management Personnel:

Mr.Pradip D. Kothari - Chairman and Managing Director

No remuneration was paid to the Managing Director during the year.

- (b) Name of transacting related party & description of the relationship between the parties:

Associate Companies / Firms

Kothari (Madras) International Limited

- (c) Particulars of transactions

<u>Sl.No.</u>	<u>Nature of transaction</u>	<u>Amount</u>
		(Rs. in lakhs)
1	Rent	7.00
2	Purchase of Raw Materials	276.75

Amount of Rs.22.51 lakhs is outstanding as on 31<sup>st</sup> March, 2011 from the associate company.

- 12.** Earnings / (Loss) Per Share – Calculation of weighted average number of Equity Shares of Rs.5/- each:

	<u>2010-11</u>	<u>2009-10</u>
Number of shares of Rs.5/- each	12483885	12483885
No. of shares of Rs.5/- each Partly Paid Rs.2.50 per share	783792	783792
Basic & Diluted Earnings (in Rupees) Per Share	(2.38)	(2.42)

- 13.** As per the records and information available with the company there are no amounts outstanding as on 31<sup>st</sup> March, 2011 payable to:
- (i) Small Scale Industries
  - (ii) Micro, Small and Medium Enterprises
- 14.** With regard to the pending winding up petition before the Hon'ble High Court of Judicature at Madras, the Company is under negotiation with the petitioner for withdrawal of the case.
- 15.** The figures in brackets relate to previous year and regrouped wherever necessary.



# Kothari Industrial Corporation Limited

## INFORMATION PURSUANT TO SCHEDULE VI OF THE COMPANIES ACT, 1956 NOTE: 16(I) APRIL 2010 TO MARCH 2011

PRODUCT	UNIT OF MEASURE	LICENCED CAPACITY	UNIT OF MEASURE	OPENING STOCK		STOCK PURCHASES		CLOSING STOCK		TURN OVER	
				STOCK	VALUE	STOCK	VALUE	STOCK	VALUE	QTY	VALUE
<b>1. FERTILISERS</b>											
<b>A: OWN MANUFACTURE</b>											
SUPERPHOSPHATE	TONNES	66000 (66000)	82000 (82000)	CY : 5128.250 PY : -	287.17	42019.000 11370.000	1731.000 5128.250	122.04 287.17	45416.000 6241.750	3413.20 230.92	
MIXTURES	TONNES			CY : 100.635 PY : 212.100	5.43 12.64	44542.385 36066.620	270.500 100.635	13.14 5.43	44384.020 36178.085	2778.34 2300.13	
<b>B: TRADING</b>											
SUPERPHOSPHATE	TONNES			CY : 0.080 PY : 32.095	0.04 2.04	1638.470 1040.880	- 0.080	0.00 0.04	1638.550 10.100	51.96 0.44	
ROCK PHOSPHATE	TONNES			CY : 23.866 PY : 88.029	0.54 3.43	3094.600 301.688	428.176 23.866	154.56 0.54	2261.750 2.869	177.46 0.31	
UREA	TONNES			CY : 190.423 PY : 133.254	7.11 6.22	3714.765 12383.280	197.091 190.423	10.35 7.11	3262.362 1878.760	155.44 74.96	
MURIATE OF POTASH	TONNES			CY : 760.203 PY : 404.339	33.38 17.28	4121.123 9955.547	649.154 760.203	29.36 33.38	4047.512 1895.404	165.76 82.17	
MICRO NUTRIENTS, PESTICIDES, BIO PRODUCTS AND OTHERS				CY : 119170.115 PY : 1009.867	135.02 40.79	239983.030 947392.762	2547831.000 119170.115	127.32 135.02	1306059.000 935362.028	2849.82 2525.08	

16 (ii) RAW MATERIALS CONSUMPTION:(2010/11)

	UNIT OF MEASURE	QUANTITY	VALUE RS.LACS
<b><u>FERTILISERS</u></b>			
ROCK PHOSPHATE	TONNES	24120 6662	1350.13 234.14
SULPHURIC ACID	TONNES	21883 3979	896.50 84.64
MURIATE OF POTASH	TONNES	3833 7704	165.42 400.43
UREA	TONNES	3725 10447	193.59 491.79
DOLOMITE	TONNES	1620 8178	7.31 50.92
DAP	TONNES	3621 5040	423.77 468.28
OTHERS	TONNES	2181 4333	86.31 175.06

16 (III) VALUE OF RAW MATERIALS AND SPARE PARTS CONSUMED

	IMPORTED VALUE RS. IN LACS	INDIGENOUS VALUE	PERCENTAGE IMPORTED	INDIGENOUS
<b>RAW MATERIALS</b>				
ROCK PHOSPHATE	1339.76 214.49	10.37 19.65	99% 92%	1% 8%

# Kothari Industrial Corporation Limited

## CASH FLOW STATEMENT

	FOR 2010-11 Rs LACS	FOR 2009-10 Rs LACS
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
NETT PROFIT/(LOSS) BEFORE TAX	(316.04)	(109.48)
ADD:		
DEPRECIATION FOR THE YEAR	<u>35.04</u>	<u>15.92</u>
	(281.00)	(93.56)
LESS:		
PROFIT ON SALE OF FIXED ASSETS	337.66	-
INTEREST RECEIPTS	3.09	5.82
DIVIDENDS	<u>-</u>	<u>0.03</u>
	<u>340.75</u>	<u>5.85</u>
	(621.75)	(99.41)
<b>LESS: INCREASE IN CURRENT ASSETS/CURRENT LIABILITIES</b>		
INVENTORIES	(408.25)	(708.05)
SUNDRY DEBTORS	(148.59)	(447.01)
LOANS AND ADVANCES	<u>(18.47)</u>	<u>(174.75)</u>
	(575.31)	(1329.80)
CURRENT LIABILITIES AND PROVISIONS	<u>(778.51)</u>	<u>(1458.08)</u>
	<u>(1353.82)</u>	<u>(128.28)</u>
CASH FLOW	<u>732.07</u>	<u>(28.87)</u>
NET CASH FROM OPERATING ACTIVITIES (A)	<b>732.07</b>	<b>(28.87)</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
INFLOW		
INTEREST RECEIPTS	3.09	5.82
SALE OF LAND	-	-
DIVIDENDS	<u>-</u>	<u>0.03</u>
PROFIT ON SALE OF FIXED ASSETS	<u>337.66</u>	<u>-</u>
	<u>340.75</u>	<u>5.85</u>

<b>OUTFLOW</b>			
NETT INCREASE IN FIXED ASSETS	Rs. LACS		
		85.99	124.22
DEFERRED REVENUE EXPENSES		(25.90)	45.33
			<u>169.55</u>
		<b>60.09</b>	
NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)		<b>280.66</b>	<b>(163.71)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>			
RESERVES		0.00	
LOAN FUNDS		<u>(1069.51)</u>	<u>356.83</u>
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		<b>(1069.51)</b>	<b>356.83</b>
NETT INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		<u>(56.77)</u>	<u>222.00</u>
CASH AND CASH EQUIVALENT OPENING BALANCE		<b>327.73</b>	<b>105.73</b>
CASH AND CASH EQUIVALENT CLOSING BALANCE		<b>270.95</b>	<b>327.73</b>
		<u>(56.78)</u>	<u>222.00</u>

For and on behalf of the Board

PRADIP D.KOTHARI  
Chairman &  
Managing Director

K. SANTHANAM  
Director

Place : Chennai  
Date : 27.05.2011

**Kothari Industrial Corporation Limited**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
**AS PER PART IV TO SCHEDULE VI TO THE COMPANIES ACT, 1956**

I Registration Details  
 Registration No. **L24110TN1970PLC005865** State Code : **18**

Balance Sheet Date **31 03 2011**  
 Date Month Year

II Capital raised during the year (Amount in Rs. Thousands)  
 Public Issue Rights Issue Bonus Issue Private Placement  
**NIL NIL NIL NIL**

III Position of Mobilisation and Deployment of Funds (Amount in Thousands)

Sources of Funds :	Total Liabilities <b>737431</b>	Total Assets <b>737431</b>
	Paid up Capital <b>70200</b>	Reserves & Surplus <b>131939</b>
	Secured Loans <b>202258</b>	Unsecured Loans <b>32785</b>
Application of Funds :	Net Fixed Assets <b>216825</b>	Investments/Deferred Tax Asset <b>77803</b>
	Net Current Assets <b>(89546)</b>	Misc. Expenditure <b>1943</b>
	Accumulated Losses <b>230148</b>	

IV Performance of the Company (Amount in Rs. Thousands)

	Turnover <b>1077703</b>	Total Expenditure (Net) <b>1109307</b>
+ -	Profit/Loss before tax <b>31604</b>	+ - Profit/Loss after tax <b>31604</b>
	Earnings per share in Rs. <b>2.38</b>	

V Generic Name of One Principal Product / Services of the Company (as per monetary terms)  
 Item Code No : **3103.10**  
 (ITC Code)  
 Product Description : **Super Phosphate**

As per our report annexed

**For B.B. NAIDU & CO**  
**Regn. No.002291S**  
**Chartered Accountants**  
**A. SEKAR**  
**Partner**  
 Membership No.18784  
 Place : Chennai  
 Date : 27.05.2011

**For and on behalf of the Board**

**PRADIP D.KOTHARI**  
**Chairman &**  
**Managing Director**

**K. SANTHANAM**  
**Director**



**KOTHARI INDUSTRIAL CORPORATION LIMITED**  
 REGD. OFFICE: "KOTHARI BUILDINGS"  
 114, MAHATMA GANDHI SALAI, NUNGAMBAKKAM, CHENNAI – 600034

**PROXY FORM**

I / We .....of  
 ..... in the District of .....being a member/members of the  
 abovenamed company hereby appoint..... of ..... in the District  
 of ..... or failing him ..... of  
 .....in the District of ..... as my/our  
 Proxy to vote for me/us on my/our behalf at the 41<sup>st</sup> Annual General Meeting of the Company to be held  
 on Wednesday, the 21<sup>st</sup> September, 2011 at 10.15 A.M at Rani Seethai Hall, 603, Anna Salai, Chennai-  
 600 006.

Signed this ..... day of ..... 2011

Folio No. / \*DP ID & Client ID No.

Signed by the said

Affix  
 Re.1/-  
 Revenue  
 Stamp

Note: Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend  
 and vote instead of himself and proxy need not be a member. This form, duly completed, should be  
 deposited at the Registered Office of the Company not less than fortyeight hours before the time of the  
 Meeting.

\*Applicable to shares held in electronic form



**KOTHARI INDUSTRIAL CORPORATION LIMITED**  
 REGD. OFFICE: "KOTHARI BUILDINGS"  
 114, MAHATMA GANDHI SALAI, NUNGAMBAKKAM, CHENNAI – 600034

**ATTENDANCE SLIP**

(To be handed over at the Meeting Hall)

Folio No.

\*D.P. ID No. ....

Name of the shareholder

\*Client ID No. ....

I hereby record my presence at the 41<sup>st</sup> Annual General Meeting of the Company held on Wednesday,  
 the 21<sup>st</sup> September, 2011 at 10.15 A.M at Rani Seethai Hall, 603, Anna Salai, Chennai-600 006.

.....  
 Signature of the Proxyholder

.....  
 Signature of the Shareholder

\*Applicable to shares held in electronic form.

**BOOK-POST**



*If undelivered please return to:*

**KOTHARI INDUSTRIAL CORPORATION LIMITED**

Regd. Office: 'Kothari Buildings' Box No.3332,

No.114, Mahathma Gandhi Salai,

Nungambakkam, Chennai - 600 034.