

13th Annual Report 2002-2003

KOTHARI FERMENTATION AND BIOCHEM LIMITED

KOTHARI FERMENTATION AND BIOCHEMICALS



BOARD OF DIRECTORS

Motilal Kothari

Pramod Kothari

Prasanna Kumar Pagaria

Ratan Lal Dudheria

Roshan Kumar Surana

Chairman & Managing Director

Director

Director

Director

Director

COMPANY SECRETARY

S. C. Agrawal

BANKERS

Allahabad Bank

State Bank of Bikaner & Jaipur

State Bank of India

State Bank of Hyderabad

Punjab National Bank

AUDITORS

C.M. 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 BIOCHEMICALS

**KOTHARI FERMENTATION AND BIOCHEM LIMITED****KOTHARI FERMENTATION AND BIOCHEM LTD.**

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

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the THIRTEENTH ANNUAL GENERAL MEETING of the members of "Kothari Fermentation and Biochem Limited" will be held on Tuesday, the 30th day of September, 2003 at 10 A.M. at "PHD House" PHD Chamber of Commerce & Industry, Opp. Asian Games Village, New Delhi - 110 016, to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended on 31st March, 2003 and the Balance Sheet as at 31st March, 2003 together with Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Prasanna Kumar Pagaria who retires by rotation and being eligible offers himself for reappointment.
3. To appoint auditors and to fix their remuneration.

AS SPECIAL BUSINESS

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

AS ORDINARY RESOLUTION

4. "RESOLVED that Mr. Roshan Kumar Surana be and is hereby appointed as a director of the company and that his period of office shall be liable to determination by retirement of directors by rotation."
5. "RESOLVED that Mr. Ratan Lal Dudheria be and is hereby appointed as a director of the company and that his period of office shall be liable to determination by retirement of directors by rotation."

AS SPECIAL RESOLUTION

6. "RESOLVED that pursuant to the provisions of section 163 and other applicable provisions, if any, of the Companies Act 1956, the company hereby approves that the Register of Members, the Index of Members and copies of all Annual Returns prepared under Sections 150, 151 and 159 respectively, of the Companies Act, 1956, together with copies of the certificates and documents required to be annexed thereto under section 161 of the said Act, may also be kept at the premises of Company's Share Transfer Agents, Abhipra Capital Ltd., Ground Floor - Abhipra Complex, Dilkhush Industrial Area, A-387, G.T. Karnal Road, Azadpur, Delhi - 110033."

By order of the Board
for KOTHARI FERMENTATION & BIOCHEM LTD.

Regd. Office :

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

Dated : 29.8.2003

(S.C.AGRAWAL)
Company Secretary

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.
- (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 the Annual Report, as extra copies will not be supplied.
3. Members who are holding 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 Friday, 5th September 2003 to Tuesday, 30th September 2003 (both days inclusive) for the purpose of Annual General Meeting.


KOTHARI FERMENTATION AND BIOCHEM LIMITED

5. Transfer cum demat facility: As per the directives of the SEBI, your company has been offering the services of transfer cum demat of shares. Under this facility, the shares received for transfer are dematerialized after taking confirmation from the investors through their depository participant.
6. Pursuant to provisions contained in Section 205A and 205C of the Companies Act, 1956, the company has transferred dividend for the financial year ended 31st March 1995, 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.
Pursuant to the provisions of the Companies Act, 1956, dividends declared for the year 1995-96, which remain unclaimed for a period of seven years, will be transferred by the Company to the Investor Education and Protection Fund (IEPF) pursuant to Section 205C of the Companies Act, 1956 on or before 11.11.2003.
Shareholders are requested to note that no claims shall lie against the said fund or the company in respect of any amounts which were unclaimed and unpaid for a period of 7 (seven) years from the date, they first became due for payment and no payment shall be made in respect of any such claims. Therefore, if any shareholder has not received the dividend for the year 1995-96 which was declared in the AGM held on 24.9.1996, should claim immediately from the company. Any claim received by the company after 24.9.2003, shall not be entertained.
7. 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.
8. The Management is confident of shareholders' co-operation for the smooth conduct of the meeting.

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

Mr. Ratan Lal Dudheria and Mr. Roshan Kumar Surana were appointed as additional directors of the company in board meetings held on 10.3.2003 and 31.3.2003 respectively. Notices have been received from two members u/s 257 of the Companies Act, 1956 together with the deposit of Rs. 500/- each, signifying their intention to propose Mr. Ratan Lal Dudheria and Mr. Roshan Kumar Surana for appointment as directors of the company. The Board recommends their appointment as the directors of the company. Their period of office will be liable to determination by retirement of directors by rotation. The resolution is commended for your approval.

None of the directors of the company is concerned or interested in the resolution.

ITEM NO. 6

Under Section 163 of the Companies Act, 1956, certain documents as mentioned in the Resolution, are required to be kept at the Registered Office of the Company. However, they may be kept at any other place with the approval of the shareholders. A special resolution was passed by the shareholders in the Annual General Meeting held on 27th September, 1999 to keep these documents at the office of the Company's share transfer agents at Shree Balajee Computer Services Pvt. Ltd., A-39-40, (2nd floor) W.H.S., Kirti Nagar, New Delhi - 110015. In view of SEBI's requirement of having common transfer agent for share registry and demat work, the Company has appointed Abhipra Capital Ltd as its Share Transfer Agents instead of Shree Balajee Computer Services Pvt. Ltd. The approval of the shareholders is required to keep the said documents at the premises of new share transfer agent at, Abhipra Capital Ltd., Ground Floor - Abhipra Complex, Dilkhush Industrial Area, A-387, G.T. Karnal Road, Azadpur, Delhi - 110033.

The directors recommend the resolution for your approval. None of the Directors of the company is concerned or interested in the resolution.

By order of the Board
for KOTHARI FERMENTATION & BIOCHEM LTD.

Regd. Office :
1st floor, 16, Community Centre,
Saket, New Delhi - 110 017.
Dated : 29.8.2003

(S.C. AGRAWAL)
Company Secretary

**KOTHARI FERMENTATION AND BIOCHEM LIMITED****DIRECTORS' REPORT**

TO
THE MEMBERS
KOTHARI FERMENTATION AND BIOCHEM LTD.

Your directors are pleased to present the 13th Annual Report together with the Audited Accounts for the year ended on 31st March 2003:

1. FINANCIAL RESULTS	(Rs. in lacs)	
	2002-2003	2001-2002
TURNOVER		
- Manufacturing	1467.09	1211.89
- Trading	63.56	378.51
PROFIT BEFORE INTEREST & DEPRECIATION	95.64	(208.01)
INTEREST	2.71	0.53
DEPRECIATION	77.07	69.09
PROFIT BEFORE TAX	15.86	(277.63)
TAX (MAT)	1.25	—
NET PROFIT/(LOSS) AFTER TAX	14.61	(277.63)

2. OPERATIONS

During the year, capital expenditure on balancing equipments has resulted in optimum utilization of plant and machineries and increase in installed capacity. Your company has achieved higher production and increased turnover during the year 2002-03. The turnover of manufacturing activities has been increased from Rs.1211.89 lacs to Rs.1467.09 lacs during the year 2002-03. This has resulted in net profit (After Tax) of Rs. 14.61 lacs. Dividend for the year has not been proposed due to accumulated losses in earlier years.

3. CURRENT YEAR'S OUTLOOK

Your company has made investments in plant and machineries for increasing the installed capacity. Your directors are confident of further increase in production during the current year. Various steps have been initiated for cost reduction and improving operating efficiencies. The company expects to earn increased profits in current year by higher volume and efficiency.

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 Act, 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 his appointment as director. Dr. Sanjay Maheshwari has resigned from directorship of the company due to his pre-occupations. The board places on record its sincere appreciations for the services rendered by Dr. Maheshwari during his tenure as director with the company. Mr. Ratan Lal Dudheria and Mr. Roshan Kumar Surana were appointed as additional directors by the Board in its Meeting held on 10.3.2003 and 31.3.2003 respectively. The company has received notices from two members u/s 257 of the Companies Act, 1956 together with the deposit of Rs. 500/- each signifying their intention to propose Mr. Ratan Lal Dudheria and Mr. Roshan Kumar Surana for appointment as directors of the company. The Board recommends their appointment as the directors of the company.

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.

7. PERSONNEL

Your company continues to keep harmonious relations with all its employees. The labour agreement executed with the trade union of the factory for a period of three years was expired on 31st March, 2003. The new agreement has been executed with trade union for three years from 2003-04 to 2005-06. There is no employee drawing salary more than the limits prescribed under Sec. 217 (2A) of the Companies Act, 1956, read with The Companies (Particulars of Employees) Rules, 1975.

8. AUDITORS

M/s C.M.Jain & Associates, Chartered Accountants, Statutory Auditors of your company, retire and being eligible offer themselves for re-appointment. The board recommends their appointment as auditors. The notes on accounts are self-explanatory with regards to auditors' observations. The efforts are being initiated to strengthen the internal audit system and control.


KOTHARI FERMENTATION AND BIOCHEM LIMITED
9. LISTING OF SHARES

The company's shares are listed at Stock Exchanges situated at Delhi, Mumbai, Calcutta, Jaipur and Gauhati. The listing at Delhi and Mumbai is continued, and the listing fees has been paid for the year 2003-04. The action has already been initiated for delisting of shares from stock exchanges at Calcutta, Jaipur and Gauhati. All the formalities have been complied with in relation to delisting as such listing fees was not paid to these three stock exchanges.

10. CORPORATE GOVERNANCE

The provisions of clause 49 of the listing agreement relating to corporate governance have become applicable to the company by 31st March 2003. 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. DIRECTORS' RESPONSIBILITY STATEMENT

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

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 2002-03 and of the profit or loss of the company for that year.
- 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,
- that the directors have prepared the annual accounts on a going concern basis.

12. 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 : 29.8.2003

MOTILAL KOTHARI

Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT
(I) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

	FOR THE YEAR ENDED ON 31ST MARCH, 2003	FOR THE YEAR ENDED ON 31ST MARCH, 2002
1. CONSERVATION OF ENERGY POWER AND FUEL CONSUMPTION		
a Electricity		
Units Consumed	39,14,246	38,72,170
Total Amount (Rs. in Lacs)	174.64	180.48
Rate/Unit Rs.	4.46	4.66
b) Furnace Oil/L.D.O.		
Quantity (litres)	7,57,880	7,36,177
Total Amount (Rs. in Lacs)	95.06	70.90
Average Rate per Ltr. (Rs.)	12.54	9.63
2. RESEARCH AND DEVELOPMENT		
Expenditure on R & D		
a) Capital (Rs. in lacs)	0.20	—
b) Recurring (Rs. in lacs)	4.94	5.36
c) Total (Rs. in lacs)	5.14	5.36
d) Total R & D expenditure as percentage of turnover	0.35	0.44
3. FOREIGN EXCHANGE EARNINGS AND OUTGO.		
Foreign exchange earnings (Rs. in lacs)	10.11	0.53
Foreign exchange outgo (Rs. in lacs)	38.87*	31.11

*Rs. 0.97 lac drawn on 27.3.03, incurred in 2003-04

KOTHARI FERMENTATION AND BIOCHEM LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The management of Kothari Fermentation & Biochem Ltd. is pleased to present its analysis report covering segment-wise performance and outlook.

The company has two business segments viz. Manufacturing Yeast and Trading Commodities of which the Manufacturing Yeast is the main Segment.

Industry structure and developments

In Yeast Industry, in India there are six companies manufacturing yeast, out of which four companies are multi national companies. The company is facing stiff competition from these multi national companies but due to better quality of our products we are sustaining in the market.

Opportunities and Threats

The better quality of products manufactured by the company is the biggest opportunity, created by the company for itself, and among the threats to the company the biggest threat is from the existence of multi-national companies in the market.

Segment wise performance

Financial performances of both the segments of the Company viz. Manufacturing Yeast and Trading Commodities are provided under the head "Discussion On Financial Performance with respect to Operational Performance" later in this Report.

Future Outlook

The company has made investments in plant and machineries for increasing the installed capacity. Your directors are confident of further increase in production during the current year. Various steps have been initiated for cost reduction and improving operating efficiencies. The company expects to earn increased profits in current year by higher volume and efficiency.

Risks and Concerns

Yeast manufacturing industry is power intensive. Unscheduled power cuts and load shedding increases the production stops and consequently results in shifting to power generation by DG sets, which is comparatively costly. There are infrastructure-related problems such as non-availability of specialized transportation, which may result in deterioration of quality of the produce during transportation.

Internal Control System and their Adequacy

In any industry, the processes and internal control system play a critical role in the health of Company. KFBL has clearly defined roles and responsibilities at all levels. Internal checks are carried out by the managers/supervisors at all levels. Review of whole system is also carried out periodically. However there is no documented policy to be followed by the executives.

Discussion On Financial Performance with respect to Operational Performance

The Financial and Operational performance (segment-wise) is as under:

		(Rs. in Lacs)		
		Manufacturing (Yeast) 2002-03	Trading (Commodities) 2002-03	Total 2002-03
1.	Segment Revenue (Rs. In Lacs)	1467.09	63.56	1530.65
2.	Segment Depreciation	77.07	—	77.07
3.	Segment Interest	2.71	—	2.71
4.	Segment Results	18.30	(2.44)	15.86

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

Training and development of Human Resources is of paramount importance. The company provides proper on the job training to the employees before inducting to them in the real work environment. Further, efforts are made to retain the best personnel within the organization for the longest period of time. There is a regular review of performance of each employee on the basis of which promotions, increments, transfers etc. are made. Your company continues to keep harmonious relations with all its employees. The labour agreement, which was executed with the trade union of the factory for a period of three years has expired on 31st March 2003. The new agreement has been executed with trade union for three years from 2003-04 to 2005-06. There were 136 people directly employed by the company during the previous financial year on average basis.

For and on behalf of the Board

Place : New Delhi
Date : 29.8.2003

MOTILAL KOTHARI
Chairman & Managing Director


KOTHARI FERMENTATION AND BIOCHEM LIMITED
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 is given below:

1. Company's Philosophy on Code of Governance:

Good corporate governance practices requires from a company that it functions as a unit which is able to meet its obligations, optimize shareholders' value and be accountable towards the community, customers, employees, Government and other segments of the society. Kothari Fermentation & Biochem Ltd. believes that the corporate governance is not about creating checks and balances. It is about creating an outperforming organization, which leads to increasing employee and customer satisfaction and delivering shareholder value.

2. Board of Directors:

The Board of Directors consists of five directors including Mr. Moti Lal Kothari who is the Chairman of the board. Mr. Ratan Lal Dudheria and Mr. Roshan Kumar Surana were appointed as additional directors by the Board in its Meeting held on 10.3.2003 and 31.3.2003 respectively. Mr. Motilal Kothari and Mr. Pramod Kothari are the executive directors and all other three directors are independent Non-Executive directors therefore, the company meets the composition criteria.

During the year under review, 7 Board meetings were held on April 30, 2002, July 30, 2002, August 23, 2002, October 31, 2002, January 30, 2003, March 10, 2003 and March 31, 2003. The composition of Board of Directors, attendance of the directors at the Board meetings and Annual General Meeting as also the number of other directorships in Indian public limited companies and membership of the committees of the Boards 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. Motilal Kothari	Executive promoter director	Yes	7	2	NIL	NIL
Mr. Pramod Kothari	—DO—	Yes	7	1	NIL	NIL
*Dr. Sanjay Maheshwari	Independent non-executive director	No	3	NIL	NIL	NIL
Mr. Prasanna Kumar Pagaria	—DO—	No	4	NIL	NIL	NIL
Mr. Ratan Lal dhudheria	—DO—	No	2	NIL	NIL	NIL
Mr. Roshan Kumar Surana	—DO—	No	1	1	NIL	NIL

*Dr. Sanjay Maheshwari has resigned from the board due to his pre-occupations on 10.3.2003

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 Committee. The details of these committees are as follows:

(i) Audit Committee
• Terms of reference:

Audit Committee have been delegated all the functions as are mentioned in clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. Apart from that the committee also approves internal audit programme and discusses with statutory auditors, their observations, suggestions and findings, internal control system, scope of audit, other related matters and major accounting policies followed by the Company. The minutes of the Audit committee are regularly placed before the Board and approved by them.

• Composition

The committee comprised of Mr. Motilal Kothari, Dr. Sanjay Maheshwari and Mr. Prasanna Kumar Pagaria at the beginning of the year. Mr. Sanjay Maheshwari resigned from the Board on 10.3.2003, so the Board of Directors reconstituted the committee by inclusion of Mr. Ratan Lal Dhudheria in its meeting held on 10.3.2003. Mr. Roshan Lal Surana was appointed as Director of the Company on 31.3.2003, and the Audit Committee was reconstituted on 31.3.2003 with Mr. Prasanna Kumar Pagaria as chairman alongwith Mr. Ratan Lal Dhudheria and Mr. Roshan