

15th Annual Report 2004-2005



KOTHARI FERMENTATION AND BIOCHEM LTD.



KOTHARI FERMENTATION AND BIOCHEM LTD.

BOARD OF DIRECTORS

Motilal Kothari	<i>Chairman & Managing Director</i>
Pramod Kothari	<i>Director</i>
Prasanna Kumar Pagaria	<i>Director</i>
Ratan Lal Dudheria	<i>Director</i>
Mali Ram Sharma	<i>Director</i>

COMPANY SECRETARY

S. C. Agrawal

BANKERS

Allahabad Bank
State Bank of Bikaner & Jaipur
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. Bullandshar (U.P)

SHARE TRANSFER AGENT

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

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KOTHARI FERMENTATION AND BIOCHEM LIMITED

KOTHARI FERMENTATION AND BIOCHEM LTD.

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

NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the FIFTEENTH ANNUAL GENERAL MEETING of the members of "Kothari Fermentation and Biochem Limited" will be held on Friday, the 30th day of September, 2005 at 10 A.M. at "Convention Center" JAMIA HAMDARD, Hamdard Nagar, Near Majidia Hospital, New Delhi-110062, 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, 2005 and the Balance Sheet as at 31st March, 2005 together with Reports of Directors and Auditors thereon.
2. To appoint auditors in place of retiring auditors M/s C.M.Jain & Associates, Chartered Accountants and to fix their remuneration.

AS SPECIAL BUSINESS

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

AS ORDINARY RESOLUTION

3. "RESOLVED that Shri Mali Ram Sharma 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."

NOTES :

1. a) A member entitled to attend and vote at the Annual General Meeting, is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company. However, the company shall have the right to fully verify the identity of proxy.
b) Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.
c) Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
2. Members attending the meeting are requested to bring their copy of Annual Report, as extra copies will not be supplied.
3. Members who are holding physical shares in identical names in more than one folio are requested to write to the Company/ Share Transfer Agent to enable the Company to consolidate their holdings in one folio. Further, members are also requested to immediately notify to the Company/Share Transfer Agent any change in their address with the postal area pin code number quoting their folio number.
4. Register of Members of the Company will remain closed from Thursday, 1st September 2005 to Wednesday, 7th September 2005 (both days inclusive) for the purpose of Annual General Meeting.
5. All documents referred to in the notice are open for inspection at the registered office of the company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of meeting.
6. Demat facility: The shares of the company fall under the category of compulsory delivery in dematerialized form by all categories of investors. The company has signed agreements with both the Depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Limited. The company's shares bear ISIN INE991B01010 with both the depositories. The shareholders are requested to get their shares in Demat form.
7. Pursuant to the provisions contained in Section 205A and 205C of the Companies Act, 1956, the company has transferred dividend for the financial year ended 31st March 1996 remaining unclaimed for a period of eight years from the date it first became due for payment, to The Investor Education and Protection Fund (IEPF) constituted by the Central Government and no claim shall lie against the IEPF or the company in respect of individual amount(s) so credited to the IEPF. Further, no amount of dividend etc. is due to be transferred to IEPF during the current year.
8. Shareholders seeking any information with regard to accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready at the time of Annual General Meeting.
9. The Management is confident of shareholders' co-operation for smooth conduct of the meeting.

KOTHARI FERMENTATION AND BIOCHEM LIMITED**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 2**

M/s C.M. Jain & Associates, Chartered Accountants, are statutory auditors of your company since incorporation of the company. They have shown their inability to continue as auditors of the company due to their pre-occupations. The board has received proposal to appoint M/s Nahata Jain & Associates, Chartered Accountants, as statutory auditors of your company. M/s Nahata Jain & Associates, Chartered Accountants being eligible offer themselves for appointment as statutory auditors of the company. The board recommends their appointment as auditors.

ITEM NO.3

Notice has been received from a member u/s 257 of the companies Act, 1956 together with deposit of Rs. 500/- signifying his intention to propose Mr. Mali Ram Sharma for appointment as director of the company. Mr. Mali Ram Sharma was appointed as additional director of the company on 23.8.2005. The board recommends the appointment of Mr. Mali Ram Sharma as director of the company. His period of office shall 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 except Mr. Mali Ram Sharma.

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

Mr. Mali Ram Sharma aged about 45 years is a Commerce Graduate. He is a businessman at Guwahati.

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

Regd. Office :

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

Dated : 2nd September, 2005

(S.C.AGRawal)
Company Secretary



KOTHARI FERMENTATION AND BIOCHEM LIMITED

DIRECTORS' REPORT

TO
THE MEMBERS OF
KOTHARI FERMENTATION AND BIOCHEM LTD.

Your directors are pleased to present the 15th Annual Report together with the Audited Accounts for the year ended on 31st March 2005 :

1. FINANCIAL RESULTS	(Rs. In lacs)	
	2004-2005	2003-2004
TURNOVER		
Manufacturing	1491.47	1502.11
- Trading	23.90	-
PROFIT BEFORE INTEREST & DEPRECIATION	(203.72)	174.76
INTEREST	1.84	1.80
DEPRECIATION	88.91	84.55
PROFIT BEFORE TAX	(294.47)	88.41
TAX	-	-
NET PROFIT/ (LOSS) AFTER TAX	(294.47)	88.41

2. OPERATIONS

The main raw material used for production of yeast is sugarcane molasses, which is seasonal product of sugar mills. During the year, the price of molasses was increased by two to three times in non-season. The company could not build stock of molasses during season due to paucity of funds; therefore the molasses was purchased during rest of the period at increased prices, which adversely affected the cost of production and resulted into heavy losses. The company could achieve production of 5020 MT during 2004-05 as compared to 5371 MT in previous year, and the turnover of manufacturing activities was Rs. 1491.47 Lacs during the year 2004-05 as compared to Rs. 1502.11 Lacs during previous year. The company had undertaken trading activity of chemicals of Rs. 23.90 Lacs during 2004-05. The trading activity has fetched a profit of Rs. 1.06 Lacs during the year. Dividend for the year has not been proposed due to losses.

3. CURRENT YEAR'S OUTLOOK

The price of molasses has been settled down during the current period, and it is expected that the prices would further come down after start of new season of molasses in November. If the price of raw material would come down, the directors expect that the company would earn profit during the current year.

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

Mr. Roshan Kumar Surana has resigned from directorship of the company due to his pre-occupation. The board places on record its sincere appreciation for the contribution and support of Mr. Roshan Kumar Surana during his tenure with the company as director. The company has received notice from a member u/s 257 of the companies Act, 1956 together with deposit of Rs. 500/- signifying his intention to propose Mr. Mali Ram Sharma for appointment as director of the company. Mr. Mali Ram Sharma was appointed as additional director of the company on 23.8.2005. Mr. Mali Ram Sharma is a businessman at Guwahati and also a financial expert. The board recommends the appointment of Mr. Mali Ram Sharma as director 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. There is no employee drawing salary more than the limits prescribed under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

8. AUDITORS

M/s C.M. Jain & Associates, Chartered Accountants, is statutory auditors of your company since incorporation of the company. They have shown their inability to continue as auditors of the company due to their pre-occupations/ priorities. The board places on record its sincere appreciation for the contribution made by Shri C.M. Jain during his tenure with the company as auditors. The notes on accounts are self-explanatory with regards to auditors' observations.

The board has received proposal to appoint M/s Nahata Jain & Associates, Chartered Accountants, as statutory auditors of



KOTHARI FERMENTATION AND BIOCHEM LIMITED

your company. M/s Nahata Jain & Associates, Chartered Accountants being eligible offer themselves for appointment as statutory auditors of the company. The board recommends their appointment as auditors.

9. LISTING OF SHARES

The company's shares are listed at Stock Exchanges situated at Delhi, Mumbai, Kolkata, Jaipur and Gauhati. The listing at Delhi and Mumbai is continued, and the listing fee has been paid for the year 2005-06. The action has already been initiated for delisting of shares from stock exchanges at Kolkata, 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 are applicable to the company. So there is a separate section on Corporate Governance in the annual report of the company, with a detailed compliance report on Corporate Governance.

11. 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 2004-05 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 : 2nd September, 2005

MOTI LAL 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, 2005	FOR THE YEAR ENDED ON 31ST MARCH, 2004
1. CONSERVATION OF ENERGY POWER AND FUEL CONSUMPTION		
a Electricity		
Units Consumed	47,91,540	45,31,380
Total Amount (Rs. in Lacs)	214.13	200.71
Rate/Unit Rs.	4.47	4.43
b) Furnace Oil/L.D.O.		
Quantity (litres)	5,15,300	6,54,400
Total Amount (Rs. in Lacs)	70.56	11.71
Average Rate per Ltr. (Rs.)	13.70	12.95
2. RESEARCH AND DEVELOPMENT		
Expenditure on R & D		
a) Capital (Rs. in lacs)	—	0.71
b) Recurring (Rs. in lacs)	5.82	5.36
c) Total (Rs. in lacs)	5.82	6.07
d) Total R & D expenditure as percentage of turnover	0.39	0.40
3. FOREIGN EXCHANGE EARNINGS AND OUTGO.		
Foreign exchange earnings (Rs.in lacs)	—	5.92
Foreign exchange outgo (Rs. in lacs)	11.59	11.10



KOTHARI FERMENTATION AND BIOCHEM LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

The company has two business segments viz. Manufacturing Yeast and Trading Commodities. The Manufacturing Yeast is main operative segment of the company, and trading activity is a supplementary segment.

Industry Structure and Developments

There are four companies manufacturing yeast in India, out of which two companies are multi national companies. These MNCs also have their manufacturing units in the northern region along with the company, so every company is trying to exploit this market. This has created the situation of more supply and less demand in this region and there is a cut-throat competition in the market.

Opportunities and Threats

The biggest opportunity available in yeast industry in India is that the market is not saturated in some areas. If the company can make a better reach to customers in those areas it can further exploit the market and enhance its sales volume. Among the threats the main threat is that if the company attempts to reach its customers scattered in the country, it has to invest good money, comply with many legal formalities and obtain registrations before starting operation in other areas. Further the cost of sales will also increase due to the heavy transportation cost.

The other threat, the molasses, which is the main raw material in the production of yeast, has become a key factor. The prices of molasses have increased two to three times during 2004-05, which has not coupled with a corresponding increase in selling price of yeast. This has adverse impact on operating profits during the year 2004-05. The prices of molasses have now been stabilized and if the prices of molasses would come down it is expected that the company would earn profits during current year.

Segment wise Performance

Financial performance of yeast manufacturing segment of the company is provided under the heading "Discussion on Financial Performance with respect to Operational Performance" later in this Report.

Future Outlook

The company is regularly reviewing its whole structure and making changes for future improvements. Your directors are confident of increase in production during the current year. Various steps have been initiated for cost reduction and improving operating efficiencies. The company expects to earn profits in current year by higher production and efficiency.

Risks and Concerns

The company is facing stiff competition with the multi national companies. These MNCs are able to offload their products at rock bottom prices and extend longer credit facilities because they enjoy the economies of production at bigger scale and their cost per unit is comparatively less. But due to the better quality, lesser overheads and personal attention of the management, the company is able to sustain in the market.

The other main concern of the company is that if it starts to access the markets of other regions of the country, the MNCs can reduce their prices to throw the company out of the market. Further, these MNCs have the advanced Research and Development support from abroad and they can introduce new qualities of product very quickly at low prices.

Yeast manufacturing industry is power intensive. Unscheduled power cuts and load shedding increase the production stops and consequently results in shifting to power generation by DG sets, which is comparatively costly.

Internal Control System and their adequacy

In any industry, the processes and internal control system play a critical role in the health of Company. KFB 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 by the top management. However there is no documented policy to be followed by the employees.

**KOTHARI FERMENTATION AND BIOCHEM LIMITED****Discussion on Financial Performance with respect to Operational Performance***(Rs. in Lacs)*

	Manufacturing (Yeast) 2004-05	Trading (Commodities) 2004-05	Total 2004-05
1. Segment Revenue (Rs. in Lacs)	1491.47	23.90	1515.37
2. Segment Depreciation	88.91	Nil	88.91
3. Segment Interest	1.84	Nil	1.84
4. Segment Results (Net)	(295.53)	1.06	(294.47)

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 them to 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.

There were 141 persons directly employed by the company during the previous financial year on average basis.

For and on behalf of the Board

Place : New Delhi
Date : 2nd September, 2005

MOTI LAL KOTHARI
Chairman & Managing Director

Report  Junction.com



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:

This is the third year since the requirement of clause 49 of the Listing Agreement became applicable to the company. During these three years the company has continuously reviewed its corporate governance practices to ensure that they adhere to the latest corporate developments and conform to the corporate governance practices prescribed by the authorities. Corporate Governance must balance individual interest with corporate goals and operate within accepted norms of proprietary, equity, fair play and sense of justice. Achieving this balance depends upon the accountability and transparency. Accountability improves decision-making and transparency helps to explain the rationale behind decisions, and thereby builds shareholder confidence.

2. Board of Directors:

The Board of Directors consisted of five directors viz. Mr. Moti Lal Kothari (Chairman), Mr. Pramod Kothari, Mr. Prasanna Kumar Pagaria, Mr. Ratan Lal Dudheria and Mr. Roshan Kumar Surana. Mr. Mali Ram Sharma has been appointed as additional director on 23.8.2005, who is an independent non-executive director. Shri Roshan Kumar Surana has resigned from directorship of the company due to his pre-occupations, and the same was accepted by the Board of Directors in its meeting held on 23.08.2005. Mr. Moti Lal Kothari and Mr. Pramod Kothari are the executive directors and the other three directors are Independent Non-Executive directors, therefore, the company meets the composition criteria. The appointment of Mr. Moti Lal Kothari & Mr. Pramod Kothari was approved for a period of five years by the shareholders in the AGM held on 30th September 2004. The tenure of these two directors shall expire on 31.08.2009.

During the year under review, 6 Board meetings were held and conducted on April 29, 2004, July 30, 2004, August 27, 2004, September 1, 2004, October 30, 2004, and January 29, 2005. The composition of Board of Directors, attendance of directors at the board meetings and Annual General Meeting as also the number of other directorships in Indian Public Limited Companies and memberships of the committees of the Board of such companies are as follows:

Name of the Director	Category of Director	Attendance at last AGM	No. of Board meetings Attended	No. of Other Directorships*	Other Board's Committees	
					Chairman	Member
Mr. Motilal Kothari	Executive promoter director	No	6	2	NIL	NIL
Mr. Pramod Kothari	—DO—	Yes	6	1	NIL	NIL
Mr. Prasanna Kumar Pagaria	Independent non-executive director	Yes	4	NIL	NIL	NIL
Mr. Ratan Lal Dhudheria	—DO—	No	2	NIL	NIL	NIL
Mr. Roshan Kumar Surana	—DO—	No	1	1	NIL	NIL

*Number of other Directorships held in Public Limited Companies.

3. Committees of the Board

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

(i) Audit Committee

• Terms of reference:

Audit Committee has been delegated all the functions and powers 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 program 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 meetings are regularly placed before the Board and approved by them.