

# 18th Annual Report

Report 2007-2008



**KOTHARI FERMENTATION AND BIOCHEM LIMITED**



## KOTHARI FERMENTATION AND BIOCHEM LIMITED

### **BOARD OF DIRECTORS**

**Moti Lal Kothari**

*Chairman & Managing Director*

**Pramod Kumar Kothari**

*Whole-time Director*

**Prasanna Kumar Pagaria**

*Director*

**Ratan Lal Dudheria**

*Director*

**Mal Chand Sharma**

*Director*

### **COMPANY SECRETARY & COMPLIANCE OFFICER**

**Ajay Kumar Trivedi**

### **BANKERS**

ICICI Bank Ltd.

State Bank of Bikaner & Jaipur

### **AUDITORS**

**NAHATA JAIN & ASSOCIATES**

*Chartered Accountants*

New Delhi

### **REGISTERED OFFICE**

1st Floor, 16, Community Centre, Saket,

New Delhi - 110 017

### **FACTORY**

Village Rajarampur

Industrial Area, Sikandrabad

Distt. 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**

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

**PROXY FORM**

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

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

I/We.....of..... in the district of.....being a Member/Members of the above Company hereby appoint Sh./Smt.....of..... in the district of..... or failing him/her.....of.....in the district of..... as my/our proxy to vote for me/us on my/our behalf at the 18th Annual General Meeting of the Company to be held at "Convention Center" JAMIA HAMDARD, Hamdard Nagar, Near Majidia Hospital, New Delhi-110062 on Tuesday the 30th day of September, 2008 at 09.30 a.m. and any adjournment thereof.

Signed this.....day of.....2008.

Signature.....

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

# Proxy without this information will not be accepted.

✂-----Tear Here-----✂

**KOTHARI FERMENTATION AND BIOCHEM LIMITED**

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

**ATTENDANCE SLIP**

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

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

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

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

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

I hereby record my presence at the Annual General Meeting of the Company held on 30th day of September, 2008 at 09.30 A.M. at "Convention Center" JAMIA HAMDARD, Hamdard Nagar, Near Majidia Hospital, New Delhi-110062.

.....  
Signature of the Member/Proxy

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

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**KOTHARI FERMENTATION AND BIOCHEM LIMITED**  
1st Floor, 16, Community Centre, Saket,  
New Delhi - 110 017

FIRST IMPRESSION (011) 22484045/9811224048


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

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

**NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that the EIGHTEENTH ANNUAL GENERAL MEETING of the members of "KOTHARI FERMENTATION AND BIOCHEM LIMITED" will be held on Tuesday, the 30th day of September, 2008 at 9:30 A.M. at "Convention Center" JAMIA HAMDARD, Hamdard Nagar, Near Majidia Hospital, New Delhi-110062, to transact the following businesses:

**AS ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended on 31st March, 2008 and the Balance Sheet as at 31st March, 2008 together with Reports of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Mali Ram Sharma who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint the auditors and to fix their remuneration. M/s Nahata Jain & Associates, Chartered Accountants, New Delhi are retiring at the ensuing Annual General Meeting and are eligible for re-appointment.

**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 Friday, the 12th September 2008 to Tuesday, the 30th September 2008 (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 had transferred dividend remaining unclaimed for a period of seven years from the date it first became due for payment, to The Investor Education and Protection Fund (IEPF) constituted by the Central Government and no claim shall lie against the IEPF or the company in respect of individual amount(s) so credited to the IEPF. Further, no amount of dividend etc. is due to be transferred to IEPF during the current year.
8. Shareholders seeking any information with regard to accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready at the time of Annual General Meeting.
9. The Management is confident of shareholders' co-operation for smooth conduct of the meeting.

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

Mr. Mal Chand Sharma aged about 48 years is a Commerce Graduate. He is a businessman in Guwahati. He was appointed as director of the company on 23-08-2005.

**Regd. Office:**

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

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

**AJAY TRIVEDI**  
Company Secretary

Dated : 14th July, 2008



# KOTHARI FERMENTATION AND BIOCHEM LIMITED

## DIRECTORS' REPORT

TO THE MEMBERS OF  
KOTHARI FERMENTATION AND BIOCHEM LTD.

Your directors are pleased to present the 18th Annual Report together with the Audited Accounts for the year ended on 31st March 2008:

1. FINANCIAL RESULTS	(Rs. in lacs)	
	2007-2008	2006-2007
TURNOVER	998.83	1965.51
PROFIT BEFORE INTEREST & DEPRECIATION	449.09	305.14
INTEREST	29.75	57.92
DEPRECIATION	88.44	90.38
PROFIT BEFORE TAX	330.91	156.84
TAX - Fringe Benefit	2.96	3.28
NET PROFIT/ (LOSS) AFTER TAX	327.95	153.56

### 2. OPERATIONS

During the year, the manufacturing activity of our factory was stopped by the U.P. Pollution Control Board requiring the Company to upgrade and modify the "Effluent Treatment Plant (ETP)". It took about 6 months for upgradation and modification of ETP and installation of a new multiple effect evaporator along with new boiler. After installation of modernized ETP and other machineries, the manufacturing was recommenced in March 2008. The company could therefore achieve production of 2627 MT during 2007-08 as compared to 5138 MT in previous year. Resultantly the turnover of the company was decreased to Rs. 998.83 Lacs during the year 2007-08 as compared to Rs. 1965.51 Lacs during previous year due to low production and closure of manufacturing activity by the U.P. Pollution Control Board as stated above. The profitability of the company was Rs. 327.95 Lacs during the year 2007-08, which includes writing back of previous years' liabilities as compared to profit of Rs. 153.56 Lacs during previous year. Dividend for the year has not been proposed.

### 3. CURRENT YEAR'S OUTLOOK

In view of volatile market of raw material and fluctuations in the prices of molasses, the company has planned to keep sufficient storage of molasses. It is expected that there would be stability of prices of the product and increased production during the current year.

The Hon'ble BIFR has sanctioned a Rehabilitation Scheme vide its order dated 26<sup>th</sup> March 2008: The Company has paid the entire dues of Allahabad Bank and Industrial Development Bank of India (IDBI) under One Time Settlement with them. All the accumulated losses of the Company have been wiped out and the net worth of the Company has become positive as at 31<sup>st</sup> March 2008.

In view of the Scheme sanctioned by the BIFR, the promoters of the Company have to introduce equity share capital of Rs. 890.50 Lakhs @ Rs. 10/- each and the sum Rs. 750 Lakhs have to be incurred on capital expenditure for modification of ETP, installation of power plant and replacement of obsolete and unserviceable machineries, which would reduce the cost of production and improve the productivity. The Promoters have already brought in Rs. 325 Lakhs as share application money pending allotment. Further, the modification of ETP and replacement of old machineries have been completed. The Power Plant is due for installation during the current year. In view of above it is expected that the profitability of the company shall improve during current year at large.

### 4. FIXED DEPOSITS

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

### 5. DIRECTORS

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



## KOTHARI FERMENTATION AND BIOCHEM LIMITED

### 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-I.

### 7. PERSONNEL

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

### 8. AUDITORS

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

### 9. LISTING OF SHARES

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

### 10. CORPORATE GOVERNANCE

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

### 11. MANAGEMENT DISCUSSION AND ANALYSIS

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

### 12. DIRECTORS' RESPONSIBILITY STATEMENT

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

- 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 2007-08 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.

### 13. ACKNOWLEDGEMENTS

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

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

For and on behalf of the Board

Place : New Delhi  
Date : 14th July, 2008

**MOTI LAL KOTHARI**  
Chairman & Managing Director


**KOTHARI FERMENTATION AND BIOCHEM LIMITED**
**ANNEXURE – I**

**INFORMATION AS PER SECTION 217 (1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2008.**

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

	<b>FOR THE YEAR ENDED ON 31ST MARCH, 2008</b>	<b>FOR THE YEAR ENDED ON 31ST MARCH, 2007</b>
<b>1. CONSERVATION OF ENERGY POWER AND FUEL CONSUMPTION</b>		
<b>a). Electricity</b>		
Units Consumed	<b>28,10,820</b>	43,47,380
Total Amount (Rs. in Lacs)	<b>133.90</b>	186.84
Rate/Unit Rs.	<b>4.76</b>	4.30
<b>b) Furnace Oil/L.D.O.</b>		
Quantity (litres)	<b>3,56,300</b>	6,41,200
Total Amount (Rs. in Lacs)	<b>77.34</b>	123.86
Average Rate per Ltr. (Rs.)	<b>21.71</b>	19.32
<b>2. RESEARCH AND DEVELOPMENT</b>		
Expenditure on R & D		
a) Capital (Rs. in lacs)	<b>0.42</b>	—
b) Recurring (Rs. in lacs)	<b>4.75</b>	5.20
c) Total (Rs. in lacs)	<b>5.17</b>	5.20
d) Total R & D expenditure as percentage of turnover	<b>0.52</b>	0.26
<b>3. FOREIGN EXCHANGE EARNINGS AND OUTGO.</b>		
Foreign exchange earnings (Rs.in lacs)	<b>—</b>	—
Foreign exchange outgo (Rs.in lacs)	<b>5.25</b>	4.03

**Research & Development (R & D):-** The Company's R & D section is a part of its Laboratory Department. Specific R&D activities have been carried out in production activities with a view to improve productivity both in terms of quality & quantity. Benefits derived as a result of the above R & D are Improvement in quality of product, production efficiency and development of a wider range of products for markets specific applications. Our future plan of Action is Improvement in quality of products and processes, achievement of better product mix, innovating on new application of products and development of new products.





## 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:

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

#### 2. Board of Directors:

(i) The Board of Directors consisted of five directors viz. Mr. Moti Lal Kothari (Chairman), Mr. Pramod Kothari, Mr. Prasanna Kumar Pagaria, Mr. Ratan Lal Dudheria and Mr. Mal Chand Sharma alias Mr. Mali Ram Sharma. Mr. Moti Lal Kothari and Mr. Pramod Kothari are the executive directors and the other three directors are Independent Non-Executive directors. The company, therefore, 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. Mr. Moti Lal Kothari looks after finance and overall management of the company, and Mr. Pramod Kothari looks after the technical and marketing functions of the company. The tenure of these two directors shall expire on 31.08.2009.

#### Composition & Category of Directors

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

(ii) During the year under review, 5 Board meetings were held and conducted on April 27, 2007, July 30, 2007, August 31, 2007, October 30, 2007 and January 19, 2008. The composition of Board of Directors, attendance of directors at the board meetings and Annual General Meeting as also the number of other directorships in Indian Public Limited Companies and memberships of the committees of the Board of such companies are as follows:

Name of the Director	Category of Director	Attendance at last AGM	No. of Board meetings Attended	No. of Other Directorships*	Other Board's Committees	Chairman	Member
Mr. Moti Lal Kothari	Executive promoter director	Yes	5	1	NIL	NIL	NIL
Mr. Pramod Kothari	—DO—	No	5	1	NIL	NIL	NIL
Mr. Prasanna Kumar Pagaria	Independent non-executive director	Yes	5	NIL	NIL	NIL	NIL
Mr. Mal Chand Sharma	—DO—	No	4	NIL	NIL	NIL	NIL
Mr. Ratan Lal Dudheria	—DO—	No	2	NIL	NIL	NIL	NIL

\* Number of other Directorships held in Public Limited Companies.

(iii) Disclosure of relationships between directors inter-se

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