

21st Annual Report 2010-2011



KOTHARI FERMENTATION AND BIOCHEM LIMITED

**KOTHARI FERMENTATION AND BIOCHEM LTD.**

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

NOTICE OF TWENTYFIRST ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTYFIRST ANNUAL GENERAL MEETING of the members of "KOTHARI FERMENTATION AND BIOCHEM LIMITED" will be held on Friday, the 30th day of September, 2011 at 02:30 P.M. at "Bipin Chandra Pal Memorial Trust Auditorium", Satindra Mohandev Charitable Medical Centre, A-81, Chittranjan Park, New Delhi-110019, to transact the following businesses:

AS ORDINARY BUSINESS

- 1 To receive, consider and adopt the audited Profit & Loss Account for the year ended on 31st March, 2011 and the Balance Sheet as at 31st March, 2011 together with Reports of Directors and Auditors thereon.
2. To appoint Mr. Kapil Dev Puri, as a director being eligible and offers himself for appointment; in place of Mr. Mal Chand Sharma who retires by rotation in the ensuing annual general meeting.
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 Thursday, the 15th September 2011 to Friday, the 30th September 2011 (both days inclusive) for the purpose of Annual General Meeting.
5. All documents referred to in the notice are open for inspection at the registered office of the company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of meeting.
6. Demat facility: The shares of the company fall under the category of compulsory delivery in dematerialized form by all categories of investors. The company had signed agreements with both the Depositories i.e. National Securities Depository Limited and Central Depositories Services (India) Limited. The company's shares bear ISIN INE991B01010 with both the depositories. The shareholders are requested to get their shares in Demat form.
7. 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 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. Kapil Dev Puri S/o Late S. D. Puri aged about 80 years. He has the following Qualifications :

1. B.E. (Electrical)
2. AMIE (Mech. Engg.)
3. F.I.E
4. 1st Class Boiler Engineer

He also has expertise in Power Generation, Co-generation of Power and Energy generation. Mr. Puri's experience is described briefly as under :

Designation	Name of Company	Products
Chief Engineer	Daurala Sugar Works (DCM)	Cane, Sugar
Chief Engineer	Shriram Vinyal and Chemical Industries (DCM)	Caustic soda, Calcium carbide, PVC
Chief Engineer	Shriram Foods and Fertilizers	Vanaspati, Caustic soda, HCL, CL2, Sulphuric acid, S.S.P
Technical Director	Mahadev Fertilizers	Sulphuric acid, SSP

As required by Section 257 of the Companies Act, 1956, the Company has received a notice alongwith requisite deposit from Mr. Kapil Dev Puri signifying his intention to propose himself as a candidate for the office of Director. On appointment of Shri Kapil Dev Puri as Director liable to retire by rotation, he will hold office as Non Executive Independent Director.

The Board of Director recommends appointment of Shri Puri as director for your approval.
None of the directors of the Company is considered to be 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

MANOJ KUMAR PAREEK
Company Secretary

Dated: 12th August, 2011

**DIRECTORS' REPORT****TO THE MEMBERS OF
KOTHARI FERMENTATION AND BIOCHEM LTD.**

Your Directors are pleased to present the 21st Annual Report together with the Audited Accounts for the year ended on 31st March 2011:

1. FINANCIAL RESULTS**(Rs. in lacs)**

	2010-2011	2009-2010
TURNOVER:		
MANUFACTURING	2480.30	1590.48
TRADING	0.00	317.04
PROFIT BEFORE INTEREST & DEPRECIATION	299.31	207.44
INTEREST CHARGES	21.19	2.02
DEPRECIATION	138.33	127.68
PROFIT BEFORE TAX	139.79	77.64
TAXES	NIL	NIL
NET PROFIT/ (LOSS) AFTER TAX	139.79	77.64

2. OPERATIONS

During the year, the capital expenditure incurred on balancing equipments has resulted in better utilization of plant & machineries. Various steps have been initiated for further increasing production and improving operating efficiencies.

The company achieved production of 6530 MT during 2010-11 as compared to 4304 MT in previous year. Resultantly the turnover of the company from manufacturing activities has Increased to Rs. 2480.30 Lacs during the year 2010-11 as compared to Rs. 1590.48 Lacs during previous year. The profitability of the company is Rs. 139.79 Lacs during the year 2010-11 as compared to profit of Rs. 77.64 Lacs during previous year.

Dividend for the year has not been proposed in order to plough back the profit for the growth of the Company.

3. CURRENT YEAR'S OUTLOOK

The additional investment made in plant & machineries will result in increase of production. Various steps have been taken for cost reduction and improving operating efficiencies.

The Company further Plans to Install additional Balancing Equipment in Plant and Machinery which will result increase in production as well as up-gradation of the quality of the products

In view of above it is expected that the production and profitability of the company will substantially improve 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

In accordance with the provisions of the Companies Act, 1956 and the articles of Association of the Company, Mr. Mal Chand Sharma is retiring from the Board by rotation and does not offers himself for re-appointment. The Board places on record its sincere appreciation for the contribution and support of Mr. Mal Chand Sharma during his tenure with the Company.

It is proposed to appoint Shri Kapil Dev Puri as Director liable to retire by rotation in the ensuing AGM. He will be a Non Executive Independent Director of the company. The Board recommends his appointment 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-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, auditors of your company retire at the ensuing annual general meeting and being eligible offers themselves for re-appointment. The Board recommends their appointment as auditors from the conclusion of this meeting to the conclusion of next annual general meeting. The notes on accounts are self-explanatory with regards to auditors' observations.

9. LISTING OF SHARES

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

10. CORPORATE GOVERNANCE

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

11. MANAGEMENT DISCUSSION AND ANALYSIS

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

12. DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) that the directors have selected 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 2010-11 and of the profit of the company for that year.
- c) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities,
- d) that the Directors have prepared the annual accounts on a going concern basis.

13. ACKNOWLEDGEMENTS

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

The Directors also wish to thank and deeply acknowledge the cooperation, assistance and support extended by the shareholders, the Dealers, vendors, bankers and financial institution of the Company.

For and on behalf of the Board

Place : New Delhi
Date : 12th August, 2011

Moti Lal Kothari
Chairman & Managing Director

**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, 2011.

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

	FOR THE YEAR ENDED ON 31ST MARCH, 2011	FOR THE YEAR ENDED ON 31ST MARCH, 2010
1. CONSERVATION OF ENERGY POWER AND FUEL CONSUMPTION		
a) Electricity		
Units Consumed	6538360	4409520
Total Amount (Rs. in Lacs)	379.571	244.41
Rate/Unit Rs.	5.80	5.54
b) HSD/Furnace Oil		
Quantity (litres)	115440	27010
Total Amount (Rs. in Lacs)	36.452	9.14
Average Rate per Ltr. (Rs.)	31.57	33.84
c) Agro Fuel		
Quantity (MT)	3736.37	3511.55
Total Amount (Rs. in Lacs)	133.80	99.79
Average Rate per MT (Rs.)	3580.98	2841.77
2. RESEARCH AND DEVELOPMENT		
Expenditure on R & D		
a) Capital (Rs. in lacs)	0.00	0.06
b) Recurring (Rs. in lacs)	9.95	6.36
c) Total (Rs. in lacs)	9.95	6.42
d) Total R & D expenditure as percentage of turnover of Manufacturing activity	0.40	0.40
3. FOREIGN EXCHANGE EARNINGS AND OUTGO.		
Foreign exchange earnings (Rs.in lacs)	—	—
Foreign exchange outgo (Rs.in lacs)	4.01	0.00

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

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

The company has business of Manufacturing Yeast during the year 2010-11.

Industry Structure and Developments

In Indian yeast Industry, there are three major companies manufacturing yeast including our company. The other two companies are multi national companies. We have an excellent team of technical and commercial professionals with expertise in yeasts manufacture and marketing. We have better quality of our products in comparison of products of these multi national companies.



Opportunities and Threats

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

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

Further the yeast industries is subjected to pollution problems and although we have achieved zero discharge of polluted water by installing MEE (Multi Effect Evaporator) yet rare pollution problem can not ruled out.

Segment wise Performance

There was only One segments in the company during 2010-11, i.e. manufacturing of yeast. The comparison of financial data with previous year's data, is provided under the heading "Discussion on Financial Performance with respect to Operational Performance" later in this Report.

Future Outlook

The company is regularly reviewing its whole structure and making changes for future improvements. Your directors are confident of 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 more profits in current year by higher production and efficiency. The Company further Plans to Install additional balancing equipment in plant and machinery to increase its installed capacity as well as up-gradation of quality of the products.

Internal Control System and their adequacy

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

Discussion on Financial Performance with respect to Operational Performance

Particulars	2010-11 (Rs. in lacs)			2009-10 (Rs. in lacs)		
	Manufacturing of Yeast	Trading of Grains	Total	Manufacturing of Yeast	Trading of Grains	Total
a) Segment Revenue — Net sales	2480.30	—	2480.30	1590.48	317.04	1907.52
b) Segment Result — Before Tax & Interest	160.98	—	160.98	75.61	80.57	156.18
Less:						
i) Interest Exp.	21.19		21.19			2.02
ii) Other Unallocable Exp	—		—			76.52
Net Profit before Tax.	139.79		139.79			77.64
c) Capital Employed	2369.75	—	2369.75	2229.96	—	2229.96

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

The Company believes that the competence and commitment of its people are the key drivers for growth of our organization. There have been excellent relation between the employees at various levels and the management. The Company responds to genuine grievances of employees in order to foster warm and cordial relationships between the management and the employees, increase job satisfaction of employees and ensure that employees can add value to their lives. There were 162 persons directly employed by the Company during the previous financial year on an average basis

For and on behalf of the Board

Place : New Delhi
Date : 12th August, 2011

Moti Lal Kothari
Chairman & Managing Director



REPORT ON CORPORATE GOVERNANCE

The Board of Directors of the Company lays great emphasis on the broad principles of Corporate Governance. The report on corporate governance for the year 2010-11 is given below:

1. Company's Philosophy on Code of Governance:

During the last nine years, since the requirement of clause 49 of the Listing Agreement became applicable to the company, there has been continuous review of its corporate governance practices to ensure adherence to the latest corporate developments and conform to the corporate governance practices prescribed by the authorities. Effective Corporate Governance must balance individual interest with corporate goals and operate within accepted norms of proprietary, equity, fair play and sense of justice. Achieving this 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 stakeholder's confidence.

2. Board of Directors:

- (i) The Board of Directors consists of five Directors viz. Mr. Moti Lal Kothari (Chairman and Managing Director), Mr. Pramod Kumar Kothari (Managing Director), Mr. Prasanna Kumar Pagaria, Mr. Ratan Lal Dudheria and Mr. Mal Chand Sharma. Mr. Moti Lal Kothari and Mr. Pramod Kumar Kothari are the executive Directors and the other three Directors are Independent Non-Executive Directors. The company, therefore, meets the composition criteria. Mr. Moti Lal Kothari looks after finance and overall management of the company, and Mr. Pramod Kumar Kothari looks after the technical and marketing side of the company.

Composition & Category of Directors

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

- (ii) During the year under review, 12 Board meetings were held on April 30, 2010, June 05, 2010, August 14, 2010, November 06, 2010, November 10, 2010, November 13, 2010, December 24, 2010, January 05, 2011, January 20, 2011, February 14, 2011, March, 02, 2011, March 26, 2011. 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	11	1	NIL	NIL
Mr. Pramod Kumar Kothari	-Do-	Yes	11	1	NIL	NIL
Mr. Prasanna Kumar Pagaria	Independent Non-executive Director	Yes	8	NIL	NIL	NIL
Mr. Mal Chand Sharma	-Do-	No	6	NIL	NIL	NIL
Mr. Ratan Lal Dudheria	-Do-	No	6	NIL	NIL	NIL

Number of other Directorships held in Public Limited Companies.

(iii) Disclosure of relationships between Directors inter-se

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



3. Committees of the Board

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

(i) Audit Committee

- Terms of Reference**

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

- Composition**

The Committee was reconstituted on 23.08.2005 with Mr. Prasanna Kumar Pagaria as Chairman along with Mr. Ratan Lal Dudheria and Mr. Mal Chand Sharma, as members. All three of them are non-executive independent Directors. Permanent invitees to the committee include Mr. Moti Lal Kothari, Managing Director, who is also the Director In-charge of Finance, the Statutory Auditors and the Internal Auditors. The company secretary is the Secretary of the committee. The Committee met 5 times during the year and the attendance at the meetings was as follows:

Name of the Member	Status	No. of Meeting attended
Mr. Prasanna Kumar Pagaria	Chairman	5
Mr. Mal Chand Sharma	Member	4
Mr. Ratan Lal Dudheria	Member	3

- Whistle Blower Policy**

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

(ii) Remuneration Committee

- Terms of Reference**

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

- Composition**

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

Name of the Member	Status	No. of Meeting attended
Mr. Prasanna Kumar Pagaria	Chairman	2
Mr. Ratan Lal Dudheria	Member	2
Mr. Mal Chand Sharma	Member	2

- Remuneration Policy**

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