

23rd Annual Report 2012-13



KOTHARI FERMENTATION AND BIOCHEM LTD.



BOARD OF DIRECTORS

Pramod Kumar Kothari	<i>Chairman and Managing Director*</i>
Kavita Devi Kothari	<i>Whole-Time Director**</i>
Prasanna Kumar Pagaria	<i>Non Executive Independent Director</i>
Ratan Lal Dudheria	<i>Non Executive Independent Director</i>
Kapil Dev Puri	<i>Non Executive Independent Director</i>

COMPANY SECRETARY & COMPLIANCE OFFICER

Isha Gupta

BANKERS

State Bank of Bikaner & Jaipur
ICICI Bank Limited
Standard Chartered Bank
Punjab National Bank
HDFC Bank

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. Bulandshahr (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

Contents	Page No.
Notice	1
Directors' Report	4
Management Discussion and Analysis Report	6
Report on Corporate Governance	9
Auditors' Report	17
Balance Sheet	20
Statement of Profit & Loss	21
Cash Flow Statement	22
Notes to Financial Statements	23

* & ** Appointment subject to approval of members in this AGM.

**KOTHARI FERMENTATION AND BIOCHEM LTD.**

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

NOTICE OF TWENTY THIRD ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY THIRD ANNUAL GENERAL MEETING of the members of "KOTHARI FERMENTATION AND BIOCHEM LIMITED" will be held on **Saturday, the 28th day of September, 2013 at 10:00 A.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 Balance Sheet as at 31st March, 2013 and Statement of Profit & Loss for the year ended on 31st March, 2013 together with Reports of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Ratan Lal Dudheria, 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 (Regn. No. 016351N), New Delhi, are retiring at the ensuing Annual General Meeting and are eligible for re-appointment.

AS SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification (s), the following resolution AS ORDINARY RESOLUTION:
"RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310 and 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals including of Central Government, if necessary, consent of the members of the Company be and is hereby accorded to the appointment of Mr. Pramod Kumar Kothari, Managing Director of the Company to be designated as Chairman and Managing Director of the Company for a period of 5(Five) years w.e.f 1st April, 2013.

RESOLVED FURTHER THAT the remuneration and terms and conditions as set out below and such remuneration will not exceed the limits specified in Section I of Part II of Schedule XIII of the Companies Act, 1956:

- a) Salary Rs.75,000/- per month.
- b) Provision of accommodation or payment of HRA in lieu thereof, subject to maximum of 60% of salary. Expenses on maintenance and furnishing of accommodation including watchmen, servant, gas, electricity and water shall be borne by the Company.
- c) The Company shall provide car with driver and incur all expenses for the same for the Company's business.
- d) Mobile phone and Telephone at residence shall be provided for official purpose.
- e) The Company shall reimburse medical and hospital expenses incurred for self and family members.
- f) Personal accident insurance as per the rules of the Company.
- g) Reimbursement of leave travel concession as per the rules of the Company.
- h) The Managing Director will not be paid any sitting fee for attending the meeting of the Board of Directors or Committee(s) thereof."

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to vary, alter, increase or widen the scope of remuneration and perquisites but subject to and in accordance with the provisions prescribed in the Schedule XIII of the said Act and within overall limit set out in these resolutions.

RESOLVED FURTHER THAT notwithstanding the above where in any financial year, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Pramod Kumar Kothari the remuneration by way of salary not exceeding the limits specified under Paragraph 2 of Section II, Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) or such other limits as may be prescribed by the government from time to time as minimum remuneration.

5. To consider and if thought fit to pass with or without modification (s), the following resolution AS ORDINARY RESOLUTION:
"RESOLVED THAT Mrs. Kavita Devi Kothari, who was appointed as Additional Director by the Board to hold office upto the date of this Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose, Mrs. Kavita Devi Kothari as a candidate for the office of the Director, be and is hereby elected and appointed as a Director of the Company, liable to retire by rotation.



RESOLVED FURTHER THAT pursuant to the provisions of section 198, 269, 309, 310 and 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals including of Central Government, if necessary, consent of the members of the Company be and is hereby accorded to the appointment of Mrs. Kavita Devi Kothari as the Whole Time Director of the Company for a period of 5(Five) Years w.e.f. 1st April, 2013.

RESOLVED FURTHER THAT the remuneration and terms and conditions as set out below and such remuneration will not exceed the limits specified in Section I of Part II of Schedule XIII of the Companies Act, 1956:

- a) Salary Rs. 60,000/- per month.
- b) Provision of accommodation or payment of HRA in lieu thereof, subject to maximum of 60% of salary. Expenses on maintenance and furnishing of accommodation including watchmen, servant, gas, electricity and water shall be borne by the Company.
- c) The Company shall provide car with driver and incur all expenses for the same for the Company's business.
- d) Mobile phone and Telephone at residence shall be provided for official purpose.
- e) The Company shall reimburse medical and hospital expenses incurred for self and family members.
- f) Personal accident insurance as per the rules of the Company.
- g) Reimbursement of leave travel concession as per the rules of the Company.
- h) The Whole Time Director will not be paid any sitting fee for attending the meeting of the Board of Directors or Committee(s) thereof."

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to vary, alter, increase or widen the scope of remuneration and perquisites but subject to and in accordance with the provisions prescribed in the Schedule XIII of the said Act and within overall limit set out in these resolutions.

RESOLVED FURTHER THAT notwithstanding the statements made above where in any financial year, the company incurs a loss or its profits are inadequate, the company shall pay to Mrs. Kavita Devi Kothari the remuneration by way of salary not exceeding the limits specified under Paragraph 2 of Section II, Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) or such other limits as may be prescribed by the government from time to time as minimum remuneration.

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. The Explanatory Statement setting out the material facts concerning Special Business as Item Nos. 4 & 5 of the accompanying notice as required by Section 173(2) of the Companies Act, 1956, is annexed hereto. The relevant details of persons seeking re-appointment under Item No. 2, 4 & 5, as required by clause 49 IV (G) (i) of the listing agreement with the Stock Exchanges are also annexed.
4. 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.
5. Register of Members of the Company will remain closed from Thursday, the 12th September 2013 to Saturday, the 28th September 2013 (both days inclusive) for the purpose of Annual General Meeting.
6. 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.
7. 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.



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.

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

Mr. Pramod Kumar Kothari is the Director of the Company since 01.04.1992. He was appointed as Managing Director w.e.f. 01.09.2009 and the terms and conditions of his appointment were last revised on 01.09.2009 for Five Years by passing the Special Resolution by the shareholders at the AGM held on 30.09.2009.

Due to sad demise of Mr. Moti Lal Kothari, Chairman of the Company, the responsibilities of Mr. Pramod Kumar Kothari, Managing Director of the Company, have tremendously increased. Now he is also looking after technical, legal and operational functions along with day to day affairs of the Company.

Keeping in view of the increase in the responsibilities shouldered by him and his rich and diversified experience in the industry and steep rise in cost of living, it is deemed appropriate to increase his remuneration from Rs. 25,000/- to Rs. 75,000/- Per Month and also to be re-designated as Chairman cum Managing Director of the Company.

The Board recommends and proposes to pass the resolution as set out in item No. 4 of the Notice as an Ordinary Resolution. None of the Directors except Mr. Pramod Kumar Kothari and Mrs. Kavita Devi Kothari are concerned or interested in the resolution.

ITEM NO. 5

In order to broad base the Board of Directors, Mrs. Kavita Devi Kothari was appointed by the Board as an Additional Director in the category of Executive Director of the Company w.e.f. 1st April, 2013 to hold office till the date of the ensuing Annual General Meeting. The Board ensured that this appointment was in compliance with the prevailing Corporate Governance Rules as prescribed.

Mrs. Kavita Devi Kothari has a considerable experience of finance and marketing functions as she is running an export business for over 10 years. So, it will be in the interest of the Company to designate her as a Whole Time Director of the Company.

The Company has received a notice under section 257 of the Companies Act, 1956 from a member proposing his appointment for the office of the Director of the Company.

The Board recommends for the appointment of Mrs. Kavita Devi Kothari and proposes to pass the resolution as set out in item No. 5 of the Notice as an Ordinary Resolution.

None of the Directors except Mrs. Kavita Devi Kothari and Mr. Pramod Kumar Kothari are concerned or interested in the resolution.

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

Mr. Ratan Lal Dudheria aged about 69 years. He is a businessman in Guwahati (Assam). He was appointed as director of the company on 10.03.2003 and continuing since then.

Mr. Pramod Kumar Kothari aged about 48 years is an Engineer and has an experience of Business, Trade and Industry for over 25 years. He is also a Promoter Director and has been associated with the Company since Incorporation.

Mrs. Kavita Devi Kothari aged about 45 years is a Graduate and has considerable experience of finance and marketing functions as she is running an export business for over 10 years.

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

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

Isha Gupta
Company Secretary

Dated: 12th August, 2013



DIRECTORS' REPORT

TO THE MEMBERS OF KOTHARI FERMENTATION AND BIOCHEM LTD.

Your directors are pleased to present the 23rd Annual Report together with the Audited Accounts for the year ended on 31st March 2013:

1. FINANCIAL RESULTS

(Rs. in lacs)

	2012-2013	2011-2012
Turnover	4390.50	3524.90
Profit before Finance Charges & Depreciation	505.48	478.67
Finance Charges	118.22	103.44
Depreciation	149.43	143.04
Profit before Tax	237.83	232.19
Taxes (Deferred Tax)	73.86	71.80
Net Profit/ (Loss) after Tax	163.97	160.39

2. OPERATIONS

The introduction of professional approach towards management of the resources of the company helped in the company's growth and efficient and effective utilization of the same. During the year, capital expenditure incurred on equipments resulted in better utilization of plant & machineries. Also various steps initiated in the previous years for increasing production and improving operating efficiencies have paved the way towards meeting the growth targets of the company.

The company achieved production of 9702 MT during 2012-13 as compared to 8481 MT in previous year. Resultantly the turnover of the company from manufacturing activities has increased to Rs. 4390.50 Lacs during the year 2012-13 as compared to Rs. 3524.90 Lacs during previous year recording the growth of 24%. The profitability of the company is Rs. 163.97 Lacs during the year 2012-13 as compared to profit of Rs. 160.39 Lacs during previous year.

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

3. CURRENT YEAR'S OUTLOOK

In view of the efforts made, it is noteworthy to mention that the company achieved positive results even against the backdrop of general slowdown in the economy and greater stress in several other industries, such as textiles, steel, mining, infrastructure, etc.

Also the company has made additional investments in plant & machineries and is optimistic of achieving higher levels of production. Various control systems have been deployed for the reduction of costs and improving of the operating efficiencies.

Further, 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

During the year, the company suffered with an irreparable loss in the form of sudden demise of Mr. Moti Lal Kothari, Chairman of the Company on 03.09.2012.

Mr. Moti Lal Kothari, was a great visionary, a great leader and above all a great humanist who showered equal love and regard for all irrespective of their positions in society.

He was the Promoter Director of the Company, whose contributions were commendable and unparallel. His sincere efforts, guidance and wise advises helped the company achieve its present position and hope that it would flourish and fulfill the dreams and visions as sought by our beloved Mr. Moti Lal Kothari.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Ratan Lal Dudheria is retiring from the Board by rotation and being eligible offers himself for reappointment.

Mr. Pramod Kumar Kothari was appointed as the Managing Director by the Shareholders in the AGM held on 30.09.2009. Due to the sad demise of Mr. Moti Lal Kothari, responsibilities of Mr. Pramod Kumar Kothari, Managing Director of the Company has tremendously increased, thus, he is proposed to be re-appointed with varied terms and conditions.

Mrs. Kavita Devi Kothari was appointed as Additional Director by the Board on 01.04.2013. She was also appointed as the Whole-Time Director of the Company w.e.f. 01.04.2013 for a period of 5 (Five) years, subject to the approval of the members in this Annual General Meeting.

The Board recommends their appointment as such.

**6. DIRECTORS' RESPONSIBILITY STATEMENT**

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

- i that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii that the directors have selected accounting policies and applied them consistently and made judgment 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 2012-13 and of the profit of the company for the year,
- iii 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,
- iv that the directors have prepared the annual accounts on a going concern basis.

7. 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**.

8. PERSONNEL

Your company maintains harmonious and cordial 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.

9. AUDITORS

M/s Nahata Jain & Associates, Chartered Accountants (Regn. No. 016351N), 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.

10. COMPLIANCE CERTIFICATE FROM COST AUDITORS

Pursuant to section 233B of Companies Act, 1956 read with Cost Audit Rules 2011, the Company will receive the Cost Audit Report for the Financial Year - 2012-13 from M/s HMVN & Associates, Cost Accountants, Delhi and would file the same with the Government within stipulated time.

The Cost Audit Report for the financial year 2011-2012 which was due to be filed with the Ministry of Corporate Affairs on or before January 31, 2013 was filed on January 22, 2013.

The Board of Directors of your Company has recommended M/s HMVN & Associates, Cost Accountants, Delhi to be appointed as a Cost Auditors for the Financial Year-2013-14, subject to approval of the Central Government under section 233B of the Companies Act, 1956.

11. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Corporate Governance Report is made a part of this annual report.

A certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the Listing Agreement is attached with this report.

The Company is complying with Clause 49 of the Listing Agreement with regard to Corporate Governance and reports to that effect are being regularly filed with the Stock Exchanges. The Company has obtained declaration from the Directors and Senior Management members of the Company for compliance of code of conduct and the Certificate from CEO/CFO was placed before the Board of Directors.

12. 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 and also the current and future outlook of the Company.

ACKNOWLEDGEMENTS

Your Board of Directors are thankful to all the Shareholders for their constant faith reposed in the company. They also placed on record their sincere appreciation for the wholehearted devotion and co-operation extended by the employees at all levels, which has been a source of strength to the company.

The Directors also wish to thank and deeply acknowledge the continued support, guidance and co-operation of the Customers, Auditors, Legal Advisers, Bankers, Dealers, Vendors and other stakeholders of the Company.

For and on behalf of the Board

Place : New Delhi
Date : 12th August, 2013

Pramod Kumar Kothari
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, 2013.

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

	FOR THE YEAR ENDED ON 31ST MARCH, 2013	FOR THE YEAR ENDED ON 31ST MARCH, 2012
1. CONSERVATION OF ENERGY, POWER AND FUEL CONSUMPTION		
The company, in order to conserve its Energy, Power and Fuel Consumption, has started using agro - fuels in the form of Husk, which helps in better steam generation and thus reducing costs. The use of Agro-Fuel in the Manufacturing Process has the advantage of reduced emission of greenhouse gases. They are a much cleaner source of energy than conventional sources. Hence, an environment - friendly source of Steam Generation by boilers.		
a) Electricity		
Units Consumed	8586000	8005538
Total Amount (Rs. in Lacs)	553.30	458.56
Rate/Unit Rs.	6.44	5.73
b) HSD/Furnace Oil		
Quantity (litres)	228000	46540
Total Amount (Rs. in Lacs)	92.13	17.23
Average Rate per Ltr. (Rs.)	40.41	37.02
c) Agro Fuel		
Quantity (MT)	7329.75	3541.18
Total Amount (Rs. in Lacs)	265.16	125.76
Average Rate per MT (Rs.)	3617.56	3551.76
2. TECHNOLOGY ABSORPTION & RESEARCH AND DEVELOPMENT		
Through continuous Research and Development efforts, the company has been able to maintain the quality of yeast products as compared with its competitor multinational companies. The company is constantly working to enter into markets, other than Bakeries, and had engaged a team of talented scientists and engineers to develop technologies for the manufacturing of Yeast based products needed for Distilleries, Feed, Food Pharmaceuticals and Biotech Industries.		
EXPENDITURE ON RESEARCH AND DEVELOPMENT		
a) Capital (Rs. in lacs)	2.66	1.88
b) Recurring (Rs. in lacs)	17.59	17.95
c) Total (Rs. in lacs)	20.25	19.85
d) Total R & D expenditure as percentage of turnover of Manufacturing activity	0.46	0.56
3. FOREIGN EXCHANGE EARNINGS AND OUTGO		
Foreign exchange earnings (Rs.in lacs)	—	—
Foreign exchange outgo (Rs.in lacs)	42.46	201.82

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

The Financial Year 2012-2013 was the year of moderation for the Indian Economy. As per the provisional estimates of the Central Statistical Organization, the GDP growth for 2012-2013 was estimated lower at 5% compared to a 6.2% in the previous year.

In such an environment, the growing companies are often hampered by business systems that simply cannot keep up with the changing requirements, but your company with the philosophy of sound business ethics and strong professional acumen aligns the interests of all the segment of its stakeholders and the society at large.

Your company has also been implementing a General Information System (GIS) in the organization and also providing 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 2012-13.



Industry Structure and Developments

The Indian yeast Industry, there are three major companies manufacturing yeast including our company. The other two companies are multinational companies. With an excellent team of technical and commercial professionals with expertise in yeasts manufacture, we offer better quality of our products in comparison to the products of the other multinational 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 amongst the lowest.

The company is constantly working to enter into markets, other than Bakeries, and had engaged a team of talented scientists and engineers to develop technologies for the manufacturing of Yeast based products needed for Distilleries, Feed, Food Pharmaceuticals and Biotech Industries.

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, has been able to maintain the quality of yeast products as compared with the multinational companies.

Further the yeast industries is subjected to pollution problems and although the company has achieved zero discharge of polluted water by installing MEE (Multi Effect Evaporator) yet rare pollution problems cannot be ruled out.

Segment wise Performance

Manufacturing of Yeast is the only business segment of the Company during the year 2012-2013. The brand names - Kothari "SUNRISE", "KF" and "FOUR SEASONS" have been well established in the domestic and export market. The company has already exported its products to various countries.

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. The company is constantly working to enter into markets for the manufacturing of Yeast based products needed for Distilleries, Feed, Food Pharmaceuticals and Biotech Industries.

However, continuous increase in power tariffs and fuel costs are deterrent to the growth and profitability of the company. But, various control systems have been deployed for the reduction of costs and improving of the operating efficiencies. The Company expects to earn more profits in current year by higher production and efficiency.

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 Internal Auditor of the Company has ensured adequacy and compliance of Internal Control System and that it commensurate with the size and nature of the Company and also suggests necessary checks and balances to increase the effectiveness of the system. The Board of Directors, Audit Committee and the Management ensure that the internal control system operate effectively within the organisation.

Discussion on Financial Performance with respect to Operational Performance

Particulars	2012-13 (Rs. in lacs)	2011-12 (Rs. in lacs)
	Manufacturing of Yeast	Manufacturing of Yeast
a) Revenue — Net sales	4390.50	3524.90
b) Result — Before Tax & Interest Less: i) Finance Exp. ii) Other Unallocable Exp. Net Profit before Tax.	356.05 118.22 237.83	335.63 103.44 232.19
c) Capital Employed	2769.91	2605.95

**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 the organization. There have been excellent relations between the employees at various levels and the management. The managers help employees identify obstacles and teach them leadership techniques through training, mentoring and coaching. The Company responds to genuine grievances of employees in order to foster warm and cordial relationships between the management and the employees, increases job satisfaction of employees and ensures that employees can add value to their lives. There were 155 persons directly employed by the Company during the previous financial year on an average basis.

Cautionary Statement

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws or regulations. These statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand supply conditions, finished goods prices, raw material cost and availability, changes in Government regulations, tax regimes, economic developments within India and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

For and on behalf of the Board

Place : New Delhi
Date : 12th August, 2013

Pramod Kumar Kothari
Managing Director