



Kothari Fermentation & Biochem Limited

27th
Annual Report
2016-17

KOTHARI FERMENTATION AND BIOCHEM LIMITED

(CIN: L72411DL1990PLC042502)

Regd. Office: 16, Community Centre, First Floor, Saket, New Delhi-110017

Tel: 011-26850004, Fax: 011-41664840, Email-kfbl@airtelmail.in

Website: www.kothariyeast.in

BOARD OF DIRECTORS

Pramod Kumar Kothari	Chairman and Managing Director
Kavita Devi Kothari	Whole- Time Director
Prasanna Kumar Pagaria	Non-executive Independent Director
Ratan Lal Dudheria	Non-executive Independent Director
Kapil Dev Puri	Non-executive Independent Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Kavita Tanwar

CHIEF FINANCIAL OFFICER

Arun Kumar Sekhani

BANKERS

Punjab National Bank
State Bank of Bikaner & Jaipur
HDFC Bank
ICICI Bank Ltd.

AUDITORS

NAHATA JAIN & ASSOCIATES
Chartered Accountants
New Delhi

REGISTERED OFFICE

1st Floor, 16, Community Centre, Saket
New Delhi-110017

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-110033

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NOTICE OF TWENTY SEVENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY SEVENTH ANNUAL GENERAL MEETING of the members of “KOTHARI FERMENTATION AND BIOCHEM LIMITED” will be held on Friday, the 29th day of September, 2017 at 11:00 A.M. at “Bipin Chandra Pal Memorial Trust Auditorium”, Satindra Mohandev Charitable Medical Centre, A-81, Chittranjan Park, New Delhi – 110 019, to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited financial statements of the company for the financial year ended on 31st of March, 2017, the Reports of Board of Directors and Auditors thereon.
2. To appoint a director in place of Mrs. Kavita Devi Kothari (DIN: 00120415), who retires by rotation and, being eligible, offers herself for reappointment.
3. To appoint the Statutory Auditors of the company, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to provisions of Section 139, 142 and other applicable provisions of the Companies Act, 2013, if any, read with the Companies (Audit & Auditors) Rules, 2014, including any statutory enactment or modification thereof, Kothari Kuldeep & Co., Chartered Accountants, FRN.-015960C be and is hereby appointed as the Statutory Auditors of the Company to hold office for a period of 5 years from the conclusion of 27th Annual General Meeting till the conclusion of 32nd Annual General Meeting of the Company, subject to ratification by the members at every Annual General Meeting, on a remuneration as may be determined by the Board of Directors.”

AS SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

“**RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof), read with Schedule V to the Companies Act, 2013 and in partial modification of the relevant resolution passed at the Annual General Meeting of the Company held on 28.09.2013, consent of the Company be and is hereby accorded to the revision in the remuneration of Mr. Pramod Kumar Kothari, (DIN:00086145), Chairman & Managing Director of the Company, w.e.f. 01.04.2017 to a salary of Rs.1,50,000/- (Rupees One Lakh Fifty Thousand only) per month, for the remaining period of his tenure i.e. upto 31.03.2018.
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

“**RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof), read with Schedule V to the Companies Act, 2013 and in partial modification of the relevant resolution passed at the Annual General Meeting of the Company held on 28.09.2013, consent of the Company be and is hereby accorded to the revision in the remuneration of Mrs. Kavita Devi Kothari, (DIN:00120415), Whole-Time Director of the Company, w.e.f. 01.04.2017 to a salary of Rs.1,25,000/- (Rupees One Lakh Twenty Five Thousand only) per month, for the remaining period of her tenure i.e. upto 31.03.2018.

By order of the Board
For KOTHARI FERMENTATION AND BIOCHEM LIMITED
Kavita Tanwar
 Company Secretary
 ACS - 29486

Date: 14th August, 2017
 Place: New Delhi

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

NOTES

1. a) A member entitled to attend and vote at the annual general meeting, is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the company.
- b) Proxies in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- c) A person can act as a proxy on behalf of members not exceeding fifty and holding in aggregate not more than 10 per cent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- d) Members / Proxies should bring the attendance slip duly filled in for attending the meeting along with their copy of Annual Report for reference.



2. (i) Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- (ii) In case of joint holders attending the meeting, only such joint holder who is higher in order of names will be entitled to vote.
3. The relevant details of Directors seeking appointment/re-appointment at the AGM as required by Regulation 36(3) of the SEBI Listing Regulations, forms integral part of the notice.
4. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to submit their PAN to the Company/Registrar & Share Transfer Agent (RTA).
5. Register of Members of the Company will remain closed from Friday, 22nd day of September, 2017 to Friday, the 29th day of September, 2017 (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 during normal business hours on working days upto the date of the AGM.
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. Electronic copy of the Annual Report for the financial year ending 31.03.2017, along with Notice, Instructions for E-voting, Attendance Slip, Proxy Form and Route Map is being sent to all the members whose e-mail IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copy of the Annual Report is being sent in the permitted mode.
9. Members may also note that the Notice of the 27th AGM and the Annual Report for the year 2016-2017 will be available on the Company's website, www.kothariyeast.in. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by courier, free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: kfbl@airtelmail.in.

10. **VOTING THROUGH ELECTRONIC MEANS**

- a) In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote on Resolutions proposed to be considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through E-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("**Remote E-Voting**") will be provided by National Securities Depository Limited (NSDL).
- b) The facility for voting through Ballot Paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- c) The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- d) **The remote e-voting period commences on Tuesday, 26th day of September 2017 (9.00 a.m.) and ends on Thursday, September 28th, 2017 (5.00 p.m.).** During the e-voting period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on **the cut-off date of 22nd day of September, 2017**, may cast their votes electronically. Once the vote on a resolution is cast by the shareholder, he shall not be allowed to change it subsequently. The e-voting module shall be disabled by NDSL for voting thereafter.

Procedure / Instructions for E-voting

A. In case a Member receives an email from NSDL (for members whose E-mail IDs are registered with the Company/ Depository Participants):

- (i) Open email and open PDF file viz; "remote e-voting.pdf" with the Client ID or Folio No. as password. The said PDF file contains the member's user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
- (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
- (iii) Click on Shareholder - Login
- (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
- (v) Password change menu appears. Change the password/PIN with new password of choice with minimum 8 digits/ characters or combination thereof. Note new password. It is strongly recommended not to share the password with any other person and take utmost care to keep the password confidential.
- (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
- (vii) Select "EVEN" of "Kothari Fermentation & Biochem Limited".
- (viii) Now be ready for remote e-voting as Cast Vote page opens.
- (ix) Cast the vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (xi) Once voted on the resolution, the member will not be allowed to modify his vote.
- (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to vijay.sharma@vkcosecy.com with a copy marked to evoting@nsdl.co.in



B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy]:

- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :
- | EVEN (Remote e-voting Event Number) | USER ID | PASSWORD/PIN |
|--|---------|--------------|
| (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote. | | |
- e) In case of any queries, refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990.
- f) Member can also update their mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- g) The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 22nd September, 2017.
- h) Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 22nd September, 2017., may obtain the login ID and password by sending a request at evoting@nsdl.co.in or kfbl@airtelmail.in.
- i) However, if the member is already registered with NSDL for remote e-voting then he can use his existing user ID and password for casting his vote. If he forgets his password, he can reset his password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990. In case shareholders are holding shares in demat mode USER ID is the combination of (DP ID - Client ID). In case shareholders are holding shares in physical mode USER ID is the combination of (EVEN No. + Folio No.).
- j) A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- k) A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- l) Mr. V.K. Sharma, Practising Company Secretary (Membership No. - FCS-3440) has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- m) The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of Scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- n) The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- o) The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company, i.e. www.kothariyeast.in and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai where the shares of the Company are listed.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 4

The shareholders may recall that Mr. Pramod Kumar Kothari was appointed as the Chairman & Managing Director of the Company w.e.f 01.04.2013 for a period of 5 years at the 23rd Annual General Meeting held on 28.09.2013.

Since there has been a considerable increase in the duties and responsibilities performed by the Chairman & Managing Director and after considering the prevailing Managerial Remuneration in Industry, the Board of Directors at their meeting, on the recommendations made by the Nomination and Remuneration Committee, has approved the proposal to increase the salary of Mr. Pramod Kumar Kothari, Chairman & Managing Director from the present Rs. 1,25,000/- per month to Rs. 1,50,000/- per month, w.e.f. 01.04.2017 for the remaining period of his tenure, i.e. upto 31.03.2018. Except for the aforesaid revision in salary, all other terms and conditions of his appointment as the Chairman & Managing Director of the Company as approved earlier shall remain unchanged.

As the terms for revision in remuneration proposed above are well in conformity with the relevant provisions of the Companies Act, 2013, read with Schedule V to the said Act, Central Government approval is not necessary for the above revision in remuneration.

Mr. Pramod Kumar Kothari and his relatives (including Mrs. Kavita Devi Kothari, Whole-Time Director) may be deemed to be concerned or interested in the said resolution. No other Director, KMP or their relatives are concerned or interested in the said resolution.

ITEM NO. 5

The shareholders may recall that Mrs. Kavita Devi Kothari was appointed as the Whole-Time Director of the Company w.e.f 01.04.2013 for a period of 5 years at the 23rd Annual General Meeting held on 28.09.2013.

Since there has been a considerable increase in the duties and responsibilities performed by the Whole-Time Director and after considering the prevailing Managerial Remuneration in Industry, the Board of Directors at their meeting, on the recommendations made by the Nomination and Remuneration Committee, has approved the proposal to increase the salary of Mrs. Kavita Devi Kothari, Whole-Time Director from the present Rs. 1,10,000/- per month to Rs.1,25,000/- per month, w.e.f. 01.04.2017 for the remaining period of her



tenure, i.e. upto 31.03.2018. Except for the aforesaid revision in salary, all other terms and conditions of her appointment as the Whole-Time Director of the Company as approved earlier shall remain unchanged.

As the terms for revision in remuneration proposed above are well in conformity with the relevant provisions of the Companies Act, 2013, read with Schedule V to the said Act, Central Government approval is not necessary for the above revision in remuneration.

Mrs. Kavita Devi Kothari, Whole-Time Director and her relatives (including Mr. Pramod Kumar Kothari, Chairman & Managing Director) may be deemed to be concerned or interested in the said resolution. No other Director, KMP or their relatives are concerned or interested in the said resolution.

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AS REQUIRED AT THE FORTHCOMING ANNUAL GENERAL MEETING

(Pursuant to Regulation 36(3) of SEBI (LODR) Regulations, 2015)

- Re-Appointment of Mrs. Kavita Devi Kothari on retirement by rotation (DIN: 00120415) (Item No. 2):**

Section 152(6) of the Companies Act, 2013 implies that the executive directors would retire by rotation at every Annual General Meeting of the Company. Accordingly, Mrs. Kavita Devi Kothari, being longest in office, shall retire at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

She was appointed as the Whole Time Director of the Company for a period of 5 years w.e.f. 1st April, 2013. The said appointment was approved by the members of the company at their 23rd AGM held on 28.09.2013 by way of an Ordinary resolution.

A brief resume of Mrs. Kavita Devi Kothari is provided in this Annual Report. Upon her re-appointment as a director, Mr. Kavita Devi Kothari shall continue to hold office as the Whole Time Director of the Company, and such determination of office by retirement and her re-appointment would not constitute a break in her tenure of service as the Director.

By order of the Board
For KOTHARI FERMENTATION AND BIOCHEM LIMITED
Kavita Tanwar
Company Secretary
ACS – 29486

Regd. Office:

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

Dated: 14th August, 2017

PROFILE OF DIRECTOR REAPPOINTED AND OTHER DIRECTORSHIPS

- Mrs. Kavita Devi Kothari (DIN: 00120415)**

Mrs. Kothari is presently the Whole Time Director of the Company. She is one of the Promoter directors of the company and has been playing a vital role in the overall structure & development of the company since her appointment.

Mrs. Kothari aged about 49 years is a Graduate and has a considerable experience of Finance and Marketing functions.

Her strong entrepreneurial skills and also an undying commitment and belief in her abilities, have been instrumental in bringing KFBL to its present position.

She holds 7,30,800 Equity Shares of face value of Rs.10/- each, constituting around 4.87% of the total paid-up share capital of the Company.

She is also a Director in M/s. Chaudhry Brothers Traders And Builders Private Limited, Kothari Thermoplast Private Limited and San Kothari Lifecare Private Limited but does not hold membership of any committees of the Board of such other company.

She is the wife of Mr. Pramod Kumar Kothari, the Chairman & Managing Director of Kothari Fermentation & Biochem Limited (KFBL). The disclosure of relationships between Directors Inter-se along with the shareholding of the Non-Executive Directors is separately provided later in the report on Corporate Governance.

By order of the Board
For KOTHARI FERMENTATION AND BIOCHEM LIMITED
Kavita Tanwar
Company Secretary
ACS - 29486

Regd. Office:

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

Dated: 14th August, 2017



DIRECTORS' REPORT

TO
THE MEMBERS OF

Your directors are pleased to present the 27th Annual Report together with the Audited Accounts for the year ended on 31st March 2017:

1. FINANCIAL RESULTS

(Rs. in lakhs)

	2016-2017	2015-2016
Turnover	7909.16	7718.13
Profit before Finance Charges & Depreciation	890.25	626.98
Finance Charges	152.97	144.92
Depreciation	259.42	197.31
Profit before Tax	477.86	284.75
Taxes:		
Current Tax	98.31	58.50
Less: MAT Credit Entitlement	(3.34)	(42.41)
Deferred Tax	68.06	79.79
Net Profit/ (Loss) after Tax	314.83	188.87

2. BUSINESS OPERATIONS

During the year under review, your company achieved production of 14968 MT as compared to 15230 MT in previous year. The turnover of the company from manufacturing activities has increased to Rs. 7909.16 Lakhs during the year 2016-17 as compared to Rs. 7718.13 Lakhs during previous year recording a growth of 2.47% irrespective of decrease in production. The profitability of the company is Rs. 314.83 Lakhs during the year 2016-17 as compared to profit of Rs. 188.87 Lakhs during the previous year recording a growth of 66.69 % in the profits after tax.

The operational performance during the year and the future outlook of the Company has been comprehensively covered in the Management Discussion and Analysis Report which is provided as a separate section in the Annual Report.

3. DIVIDEND

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

4. DIRECTORS AND KEY MANAGERIAL PERSONNEL

In accordance with the provisions of the Companies Act, 2013 and pursuant to Section 152(6), the directors excluding the Independent Directors, being Executive Directors, are now made liable to retire by rotation at every Annual General Meeting. Thus, Mrs. Kavita Devi Kothari (DIN: 00120415) Whole Time Director of the Company retire by rotation and being eligible, offers herself for reappointment. Though, such determination of office by retirement and then re-appointment would not constitute a break in her tenure of service as the Whole Time Director of the Company.

Brief resume of Mrs. Kavita Devi Kothari, nature of her expertise in specific functional areas and the name of the public companies in which she holds the Directorship, as stipulated under SEBI (LODR) Regulations, is given in the notice convening the Annual General Meeting. The Board recommends her appointment as such.

The Independent Directors have submitted their declaration that they fulfill the requirements as stipulated in Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as applicable.

5. DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the company, work performed by the internal, statutory and secretarial auditors and the reviews performed by the Board and its committees, the Board is of the opinion that the company's internal financial controls were adequate and effective during the financial year 2016-17.

Pursuant to Sec.134 (5) of the Companies Act, 2013 the directors to the best of their knowledge and ability 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 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 2016-17 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, 2013 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;
- v. that the directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively;
- vi. that the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.



6. CREDIT RATING

Your company's domestic credit rating is 'BB+' for long term debt facilities with a Positive outlook and an 'A4+' for the short term debt facilities assigned by Credit Rating Information Services of India Limited (CRISIL).

7. CERTIFICATIONS

Your company has been certified as ISO 9001:2008 on 30.05.2016 for its quality management systems employed at every level of the organization.

8. AUDITORS AND AUDITOR'S REPORT

A) Statutory Auditors

The present Auditors M/s Nahata Jain & Associates, Chartered Accountants, FRN- 016351N, shall be retiring on the forthcoming AGM. Their tenure shall be completed/lapsed u/s- 139(2) of Companies Act, 2013 and they cannot be reappointed. The Board recorded its appreciation for their services.

M/s. Kothari Kuldeep & Co., Chartered Accountants, FRN- 015960C, offer themselves for appointment. The Company has received letter from the Auditors to the effect that their appointment, if made, would be within the prescribed limit under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for appointment.

The Board recommends their appointment as Statutory Auditors of the Company to hold office for a period of 5 years from the conclusion of 27th Annual General Meeting till the conclusion of 32nd Annual General Meeting of the Company subject to ratification at every AGM. The notes on accounts are self-explanatory with regards to auditors' observations.

The company has now obtained sufficient and appropriate evidences from respective banks relating to deposit of Specified Bank Notes and other denomination notes during demonetization period. There were no other qualifications, reservations or adverse remarks made by the Auditors for the year under review.

B) Secretarial Auditors

The Board had appointed M/s V.K. Sharma & Company, Practising Company Secretaries, as Secretarial Auditor to conduct the secretarial audit of the company for the financial year 2016-17, pursuant to the provisions of Section 204 of the Companies Act, 2013. The Report of the Secretarial Auditor forms part of the Board's Report as **Annexure 'A'**.

"In respect of observations made by the Secretarial Auditors in their Report, it is mentioned that:

1. The company had applied in BSE for listing of 89.05 Lakhs equity shares issued preferentially to the promoter/ promoter group in the year 2008-09. The Company had applied for listing within stipulated time and furnished all requisite documents for the listing of the same to the BSE. Regular follow up has been done with BSE, but certain queries were raised by the exchange in the year 2012. The Company has duly provided with the exchange all required clarifications and replies and has even paid the additional listing fees, as demanded by BSE. The matter is pending with BSE for its necessary approval. During the year BSE approved the listing of 20,00,000 shares out of 89,05,000 shares. Listing of remaining 69,05,000 shares is under process with BSE.
2. The companies had applied and complied all the formalities for delisting of shares from Calcutta Stock Exchange in June, 2000. Delisting letter is awaited.
3. The Company has appealed against the order of Income Tax Department before the Commissioner of Income tax Appeals, New Delhi within prescribed time limit. The Company's management including its tax advisors believes that its position will likely be upheld in the appellate process whereby it is expected that the matter will be decided in favour of the Company and the demand raised will be dropped by the Appellate Authorities.

The Board at its meeting held on 14.08.2017 reappointed M/s V.K. Sharma & Company, Practising Company Secretaries as Secretarial Auditor for FY 2017-18.

9. CORPORATE GOVERNANCE

The Company is complying with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as applicable with regard to Corporate Governance and reports to that effect are being regularly filed with the Stock Exchanges. A report on Corporate Governance practices and the Certificate from the Auditors on compliance of the mandatory requirements thereof are made a part of the Annual report.

10. VIGIL MECHANISM

A comprehensive Vigil mechanism/Whistle Blower Policy has already been adopted by the Company which provides adequate safeguards against victimization of employees and Directors who express their concerns. The Company has also provided direct access to the chairman of the Audit Committee on reporting issues concerning the interests of employees. The policy as approved by the Board is uploaded on the Company's website at http://www.kothariyeast.in/financial/policies/whistle_blower_policy.pdf.

11. RISK MANAGEMENT POLICY OF THE COMPANY

Your company has adopted a Risk management policy to identify and categorize various risks, implement measures to minimize impact of these risks where it is deemed necessary and possible, and a process to monitor them on a regular basis.

12. REMUNERATION POLICY AND BOARD EVALUATION

The Board has adopted a Remuneration Policy as recommended by the Nomination & Remuneration Committee. It provides for the criteria for determining Qualifications, Positive Attributes & Independence of the Directors, defining the criteria of the remuneration of the KMP's and Senior managerial personnel along with their roles and responsibilities. The aim is to ensure that the company attracts and retains competent people.

The Board has carried out an Annual Performance Evaluation of its own performance and the Directors individually. The Disclosures relating to the same are provided in the Corporate Governance Report.



13. DISCLOSURES

a) Number of Board & Committee Meetings:

During the year under review, Five Board meetings, Four Audit Committee meetings, Four Stakeholders Relationship Committee meetings and One Nomination & Remuneration Committee meeting were convened and held. Details and attendance of such Board & Committees meetings are mentioned in Corporate Governance Report.

Pursuant to clause VII (1) of Schedule IV of the Companies Act, 2013, the Independent Directors had a separate meeting on 14.02.2017.

b) Deposits – The Company has not accepted any deposit from public during the year under review.

c) Share Capital - There was no change in the Company's share capital during the year under review.

d) Audit Committee – The Company has duly constituted an Audit Committee, whose detailed composition and powers are provided in the Corporate Governance Report. There were no recommendations of the Audit Committee which have not been accepted by the Board during the financial year.

e) Extract Of Annual Return - The extracts of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is furnished in **Annexure 'B'** and is attached to this Report.

f) Disclosure pertaining to Managerial Remuneration - Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided as per **Annexure 'C'**.

The information required pursuant to section 197 read with rule 5(2) & (3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees will be provided upon request.

g) Related Party Transactions – There were no materially significant transactions with the related parties during the financial year that may have potential conflict with interest of the Company at large. Disclosures relating to the same are provided separately in the Corporate Governance Report.

h) Particulars of Loans, Guarantees or Investments under Section 186 – Details of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013 are given in the accompanying Financial Statements.

i) Prevention of Sexual Harassment - The Company has zero tolerance for sexual harassment at workplace. A committee has been set up to redress complaints received regarding sexual harassment. During the year, no complaints pertaining to sexual harassment were received.

j) Significant and Material Orders Passed by the Regulators or Courts – No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operation in future.

14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pertaining to conservation of energy, technology absorption, Foreign exchange Earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in **Annexure 'D'** and is attached to this report.

ACKNOWLEDGEMENTS

Your Board of Directors is 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 (Punjab National Bank as the main Banker), Dealers, Vendors and other stakeholders of the Company.

Place: New Delhi
Date: 14th August, 2017

For and on behalf of the Board
Pramod Kumar Kothari
Chairman & Managing Director

ANNEXURE – A

Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON 31.03.2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
KOTHARI FERMENTATION & BIOCHEM LIMITED

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s KOTHARI FERMENTATION & BIOCHEM LIMITED** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the **M/s KOTHARI FERMENTATION & BIOCHEM LIMITED's** books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31.03.2017 generally complied with the statutory provisions listed hereunder and also that



the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **M/s KOTHARI FERMENTATION & BIOCHEM LIMITED** ("the Company") for the financial year ended on 31.03.2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The Following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and amendments from time to time;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vi) Other laws applicable to the Company as per the representation given by the Company.

We have also examined compliance with the applicable clauses of the following:

- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (ii) Secretarial Standards issued by The Institute of Company Secretaries of India, with respect to board and general meetings.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above to the extent they were applicable subject to the following observations:

1. The company's application for listing of 89.05 Lakhs equity shares made in the year 2008-09 to the Bombay stock Exchange (BSE) was still pending as at 31.03.2017 for certain clarifications/replies required by BSE. The exchange has since granted approval for listing of 2000000 equity shares on 23rd June, 2017. Correspondence for listing of remaining shares is in progress.
2. The Company had also applied for delisting of its shares from Calcutta Stock Exchange and completed all formalities in June 2000. However the delisting permission is still awaited.
3. The demand notice from Income Tax authorities for Rs. 665.81 Lakhs for the A.Y. 2008-09 is pending in appeal.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive, Non-Executive and Independent Directors. There was no change in the composition of the Board of directors of the company during the period of review.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

On inspection of the minutes as captured and recorded it was ascertained that all the decisions of the Board have been carried through and there were no dissenting views.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there was no specific event/action which has a major bearing on the affairs of the company in pursuance of above referred laws, rules, regulations, guidelines, standards etc.

For V. K. Sharma & Co.
Company Secretaries

(V. K. Sharma)
C. P. No.: -2019
FCS:-3440

Date: 14th August, 2017
Place: NOIDA

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report