

**30th ANNUAL REPORT
1998-99**



KOTHARI INDUSTRIAL CORPORATION LIMITED



Kothari Industrial Corporation Limited

BOARD OF DIRECTORS

Pradip D. Kothari
Chairman &
Managing Director
P. G. Daftary
H.S. Majumder
Mrs Surekha P. Kothari
D.B. Saxena
N. Srinivasan
Ashok C. Pratap
R. Rangarajan
(Nominee of GIC)
(Upto 30.10.1999)

BANKERS

State Bank of India
State Bank of Travancore
Bank of Baroda
Central Bank of India
Punjab National Bank
The United Western Bank Ltd

PLANTATIONS

Tea Estates in Nilgiris and
Anamallais of Tamil Nadu State

TEXTILE MILL

Mill No. 2
K. Vadamathurai
Coimbatore

FERTILISER FACTORY

Ennore, Chennai

COFFEE CURING WORKS

Hassan, Karnataka

GRANITE FACTORY

Ennore, Chennai

AUDITORS

M. K. Dandekar & Co.
Chartered Accountants
Chennai

B.B. Naidu & Co.
Chartered Accountants
Chennai

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REGISTERED OFFICE

"Kothari Buildings"
114, Mahatma Gandhi Salai
Chennai - 600 034

MUMBAI OFFICE

144-145 Mittal Court,
A Wing, 14th Floor
Nariman Point
Mumbai - 400 021

HYDERABAD OFFICE

Flat 1 & 2, No. 3-4-877
Ground Floor
Nagar Towers, Barkatpura
Hyderabad - 500 027
Andhra Pradesh

DELHI OFFICE

210 Antriksh Bhavan
Kasturba Gandhi Marg
New Delhi - 110 001

KOLHAPUR OFFICE

Konark Centre
205 E, Tarabai Garden Road
New Shahupuri
Kolhapur - 416 001
Maharashtra

Kothari Industrial Corporation Limited

KOTHARI INDUSTRIAL CORPORATION LIMITED

Regd. Office : "Kothari Buildings" , 114, Mahatma Gandhi Salai, Chennai - 600 034.

NOTICE TO MEMBERS

Notice is hereby given that the adjourned 30th Annual General Meeting of the Company will be held on Thursday, the 5th October, 2000 at 3.30 p.m. at The Music Academy, 306, T.T.K. Road, Chennai - 600 014 to transact the following unfinished Agenda of the said Meeting, held on 27th March, 2000.

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the 18-months period ended 31st December, 1999 and the Balance Sheet as that date along with the Reports of Directors and Auditors thereon.

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, SHOULD BE LODGED WITH THE COMPANY AT ANY TIME NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING. A FORM OF PROXY IS ENCLOSED.

(By order of the Board)
for Kothari Industrial Corporation Limited

Chennai
25th August 2000

A. Rubandhas
Company Secretary

Note :

1. Members are hereby informed that Securities Exchange Board of India (SEBI) has made it compulsory for all investors to trade the company's securities in dematerialised form, effective June, 2000. A brief note on Dematerialisation/rematerialisation under the Depository System is enclosed. Members desirous of having more information may write to the Secretarial Department of the Company.
2. Members are requested to notify the change of address, if any, immediately to the company.
3. Members with identical order of names who are holding in multiple folios are requested to write to the company to consolidate their holdings into one folio.
4. Members/Proxies should bring Attendance Slip (duly completed) for attending the meeting.



REPORT OF THE DIRECTORS

Your Directors present herewith the Thirtieth Annual Report on the working of the Company along with the Audited Balance Sheet and Profit and Loss Account for the period ended 31st December, 1999.

The financial results for the period are as follows:

	(Rs. in lacs)	
	Period ended 31.12.99 (18 months)	Year ended 30.06.1998 (12 months)
Turnover/Income from Services	14531.05	10981.00
Profit on sale of Fixed Assets	<u>606.64</u>	<u>1.80</u>
Profit/(Loss) before Interest and Depreciation	231.00	1173.87
Interest and Finance Charges	<u>1079.27</u>	<u>1063.68</u>
Profit/(Loss) before Depreciation	(848.27)	110.19
Depreciation	<u>389.43</u>	<u>237.37</u>
Loss before tax	(1237.70)	(127.18)
Provision for Agricultural Income-tax	—	225.00
Loss for the period	(1237.70)	(352.18)
Investment Allowance Reserve written back	14.00	—
Dividend and tax thereon for 1996-97 reversed	—	145.95
Balance profit brought forward from the previous year	14.15	220.38
Balance Profit/(Loss) carried to Balance Sheet	<u>(1209.55)</u>	<u>14.15</u>

In view of the loss for the period, the Directors are unable to recommend any dividend for the period ended 31st December, 1999.

ACCOUNTING YEAR OF THE COMPANY:

The financial year of the company was changed from July-June to January-December and the financial year 1998-99 has therefore been extended upto 31st December, 1999 (18 months) with the permission of the Registrar of Companies, Chennai.

Since the company has multi-divisional activities with a net work spread over all the four Southern States, viz. Tamil Nadu, Andhra Pradesh, Karnataka and Kerala, the compilation of accounts and audit could not be completed on time. Hence, the accounts for the 18 months period ended 31st December, 1999 could not be presented at the 30th Annual General Meeting of the company held on 27th March, 2000. With the permission of the shareholders, the adoption of the audited accounts for the said period together with Auditors' Report and Directors' Report was deferred to be considered at the adjourned meeting.

Kothari Industrial Corporation Limited

Physical Performance:

The production and turnover particulars of the various divisions are as follows :

	PRODUCTION		TURNOVER (Rs. in lacs)	
	Period ended 31.12.1999 (18 months)	Year ended 30.06.1998 (12 months)	Period ended 31.12.1999 (18 months)	Year ended 30.06.1998 (12 months)
FERTILISERS				
Superphosphate (tonnes)	96436	62200	3734.88	2230.53
Sulphuric Acid (tonnes)	33719	24628	142.10	88.83
Mixtures (tonnes)	75470	55910	3352.40	2398.68
Sodium Silico Fluoride (tonnes)	96	103	9.59	14.52
Straight Fertilisers	—	—	2357.92	1616.50
			<u>9596.89</u>	<u>6349.06</u>
PLANTATION				
Tea (lac kgs)	47.75	33.72	3671.02	2662.81
Coffee (tonnes)	485.00	405.00	504.33	509.61
			<u>4175.35</u>	<u>3172.42</u>
TEXTILES				
Yarn (lac kgs) *	2.08	6.36	342.58	957.51
Cloth	—	—	30.37	25.99
Waste	—	—	20.94	55.30
Conversion charges			128.66	104.42
			<u>522.55</u>	<u>1143.22</u>
GRANITE				
Monuments (cubic metres)	219	252	177.37	209.93
COFFEE CURED (tonnes)	2457	4854		
Curing Charges			58.89	106.37
GRAND TOTAL			<u>14531.05</u>	<u>10981.00</u>

* excludes job work production of 5.36 (3.63) lac kgs.

FERTILISERS

The performance of this division during the period under review was satisfactory despite labour unrest and non-availability of raw materials for some period. Due to drought conditions in certain parts of Tamil Nadu, there was lesser offtake of NPK mixtures and SSP. Further, due to delay in the arrival of shipment of rock phosphate, the production of SSP and Sulphuric Acid was affected for 118 days which includes lock out period of 39 days. The sale of Sulphuric Acid and SSP is likely to improve with an anticipation of average monsoon in the current financial year. The company has plans to install balancing equipments in the Fertiliser Plant to augment the capacity to 100,000 Tonnes per annum from the existing level. The company has also plans to improve the capacity of Sulphuric Acid plant in order to meet the additional requirement of acid for the increased production of SSP. The Division continues to do well in the distribution of pesticides and plant protection materials.



PLANTATION: TEA:

The performance of the Tea Division during the period under review was affected on account of sharp decline in tea prices and average prices went down by Rs.14/- per kg. compared to the previous year. Tea production was at 53 lac kgs. including bought leaf for the 18 months period. The current year's performance is likely to be affected due to continuing decline in tea prices and also increase in the cost of production. Replanting, rejuvenation and massive infilling are in progress.

COFFEE:

The performance of the Coffee Division during the season 1998-99 was satisfactory.

As part of ongoing restructuring exercise to dispose of less profitable assets (net of Agricultural Income-tax) and in order to discharge certain high cost debts, with the approval of the financial institution and banks, the company had sold its Coovercolly Coffee Estate in July, 2000. The capital profit on sale of the coffee estate would be reflected in the accounts of the subsequent year. Earlier, the company's Kesinvurthy Estate was sold in April, 1999 realising a capital profit of Rs.613 lakhs which is included in the accounts.

COFFEE CURING WORKS:

Coffee Curing Works cured 2457 tonnes during the period under review as against 4854 tonnes of the previous year (12 months). The Curing Works had been able to achieve maximum capacity utilisation during the period 1995-96 and in the last four years, there had been a gradual decline in the coffee cured. This was due to lifting of restriction in the sale of coffee and the growers having been allowed to sell their produce to any one of their choice. Further, during the coffee boom in 1995-96, a number of curing works mushroomed in Hassan area where the company's curing works is situated resulting in severe competition and no curer could achieve optimal capacity utilisation. As curing coffee is unviable in the prevailing conditions and as part of

on-going restructuring exercise, it is proposed to dispose off the Curing Works.

GRANITE DIVISION:

The performance of the Division was very much affected due to high competition in the international market and lack of adequate working capital. The transfer of this Division to the wholly owned subsidiary of the company will be done on completion of procedural formalities and after obtaining permission from the financial / investment institutions.

TEXTILE DIVISION:

This Division had incurred a cash loss of over Rs.50 crores in the last five years resulting in severe liquidity constraint to the company. The proposed transfer of Kothari Textiles - Mill No.2 at Coimbatore to the wholly owned subsidiary of the company is being pursued and is likely to be completed during the current financial year after obtaining permission from the financial / investment institutions.. Negotiations are in an advanced stage with a prospective buyer to transfer the said mill to the subsidiary in the financial year now current.

FINANCE:

Based on consent terms filed by the company in the High Court of the Judicature at Mumbai and in consultation with the Debenture Trustees, the company is proposing to reschedule the payment of interest and the redemption of Non-convertible Debentures, subject to the approval of the debentureholders.

The company is taking active steps to discharge all high cost borrowings and towards this, further restructuring exercise will be pursued.

DEMATERIALISATION OF SHARES:

During the period under review, the company has entered into an agreement with National Securities Depositories Ltd., and Central Depository Services (India) Ltd., to facilitate investors trade in the company's equity shares in dematerialised form. Securities and Exchange Board of India has made compulsory trading in dematerialised form in the

Kothari Industrial Corporation Limited

company's equity shares in respect of institutional investors, Foreign Institutional Investors, Mutual Funds, Banks and OCBs., with effect from November, 1999 and subsequently all investors with effect from June, 2000.

Y2K COMPLIANCE:

Your company had taken effective steps to be Y2K compliant for all its computer systems and the transition was without any problem.

SAFETY AND ENVIRONMENT:

The company continued to maintain a good safety record. The manufacturing units of the company are environment friendly and maintain all safety standards and measures.

DIRECTORS:

General Insurance Corporation of India (GIC) withdrew its nominee, Mr R Rangarajan. The Directors record their appreciation of the valuable advice and guidance rendered by Mr R Rangarajan during his tenure.

Mr H S Majumder and Mr P G Daftary, who retired by rotation, were reappointed at the 30th Annual General Meeting of the company held on 27.3.2000.

AUDITORS:

M/s.M.K.Dandeker & Co. and M/s.B.B.Naidu & Co., Chartered Accountants, Chennai were reappointed at the 30th Annual General Meeting of the company held on 27.3.2000 as statutory auditors of the company.

AUDITORS' REPORT:

With regard to the remarks in the Auditors' Report, the response of the Management is as under:

The matters referred to in Para (c) and (e) of the Auditors' Report are covered in the respective financial notes. In regard to the non-provision of incremental and past liability for gratuity to

employees, provision could not be made in view of the continuing losses and further, in view of the restructuring exercise, the exact quantum of the eventual liability cannot be exactly quantified at present. As regards amount due from a company which has suspended its operations, steps are being taken for securing and recovery of the amount.

COMPANIES (DISCLOSURE OF INFORMATION IN DIRECTORS' REPORT) RULES, 1988:

As required under Section 217(1)(e) of the Companies Act, 1956, the details regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the Annexure 'A' attached hereto forming part of this report.

PARTICULARS OF EMPLOYEES:

The statement containing the information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is given in the Annexure 'B' forming part of this report.

SUBSIDIARIES:

The results of the subsidiaries are attached to this Report along with the statement specified in Section 212 of the Companies Act, 1956.

ACKNOWLEDGEMENT:

Your Directors place on record their appreciation of the valuable support and timely help of the financial institutions, Government authorities and banks. The co-operation and forbearance of the members are gratefully acknowledged.

On behalf of the Board of Directors

Pradip D. Kothari

Chairman and Managing Director

Chennai
25th August 2000



ANNEXURE - A

INFORMATION REQUIRED UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956.

A. Conservation of Energy

Energy conservation measures

As per Form "A"

B. Technology absorption

As per Form "B"

C. Foreign Exchange Earnings and Outgo

1. One of the products manufactured by the Company viz. Tea which is mostly sold in auctions are exported by bidders .
2. Granite Division an 100% Export Oriented Unit has exported monuments.
3. Total foreign exchange outgo

	Rs. in lacs	
	1998-99 (18 Months)	1997-98 (12 Months)
Imports	2414.07	1204.16
Expenditure	9.24	3.59
	<u>2423.31</u>	<u>1207.75</u>
Total foreign exchange earned	177.37	334.56

FORM A

(A) POWER AND FUEL CONSUMPTION

	CURRENT YEAR (1998-99)				PREVIOUS YEAR (1997-98)			
	TEXTILES	TEA	FERTILIZER	GRANITE	TEXTILES	TEA	FERTILIZER	GRANITE
ELECTRICITY								
a. Purchased:								
Units	3674152	2948533	4533967	238293	5436225	2184458	2506640	334616
Total amount (Rs.)	16578210	13624469	19157910	2013153	18784250	8788937	9379603	1544402
Rate per unit (Rs.)	4.51	4.62	4.23	8.45	3.46	4.02	3.74	4.62
b. Own generation:								
Through diesel generator								
Units	51644	364888	104169		168996	284346	70272	24706
Units per litre of diesel	2.61	3.12	2.30		3.09	2.61	1.92	1.61
Cost per unit (Rs.)	4.84	3.76	6.82		3.40	4.17	12.71	6.58

(B) CONSUMPTION PER UNIT OF PRODUCTION

	Current Year (units)	Previous Year (units)
1. Electricity:		
Yarn per kg	5.01	5.62
Tea per kg	0.63	0.66
Super phosphate per MT	21.74	18.14
Sulphuric acid per MT	75.39	74.01
Granite per cbm	1088.10	1391.00

Note: The Current and Previous years' figures are for 18 months and 12 months respectively and hence not comparable

Form 'B'

(a) Research and Development (R&D)

The Company has no separate R & D department. The Company is a member of South India Textile Research Association, United Planters Association of Southern India and Fertiliser Association of India who communicate the latest information on the research carried out by them.

(b) Absorption of Technology

The Company is not using any imported technology. However, it is constantly making efforts in upgrading its processes by absorption of relevant technology to suit local conditions modernisation/debottlenecking.

ANNEXURE - B

Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975
and forming part of the Directors' Report for the period ended 31st December 1999

Sl. No.	Name	Designation/ Nature of Duties	Remuneration received/ receivable Rs.	Net after Tax/ PF & Super annuation Rs.	Age	Qualification & experience (in years)	Date of commen- cement of employment	Last employment
1.	V. Nageswaran**	Executive Director - Finance	934941	586791	58	B.Com, F.C.A. A.I.C.W.A. M.B.A., A.C.S., A.S.I.S. (34)	20.08.1976	South India Viscose Ltd. Coimbatore
2.	S. Ramabadran	Executive Director	1390010	828200	46	B.Sc., B.G.L., F.C.S., F.C.A. (20)	23.05.1983	TIDCO Ltd. Chennai
3.	H.S. Reddy*	Chief Executive (Coffee)	922634	576123	63	B.Sc., (37) (Agri)	03.05.1962	—
4.	P.S. Ponnappa	Chief Executive (Tea)	980623	635272	56	B.Sc., (35) (Agri)	01.04.1964	—

Note:

1. Remuneration includes Salary, House Rent Allowance, Ex-gratia, LTA, Encashment of Leave, Company's contribution to Provident and Superannuation Funds, Gratuity Paid and monetary value of perquisites calculated in accordance with provisions of Income Tax Act 1961 and rules made thereunder.
2. * The nature of employment is contractual.
3. Does not include the Remuneration of the Managing Director and Wholetime Director.
4. None of the above employee is related to any of the Directors.
5. None of the above employees or his relatives hold more than 2% of paid-up share capital of the Company.
6. ** denotes employed for part of the year

