

**31st ANNUAL REPORT
2000-01**



KOTHARI INDUSTRIAL CORPORATION LIMITED

Kindly note that no gifts will be given
at the Annual General Meeting





Kothari Industrial Corporation Limited

BOARD OF DIRECTORS

Pradip D. Kothari
*Chairman &
Managing Director*
P.G. Daftary
H.S. Majumder
(Upto 29.06.2001)
Mrs. Surekha P. Kothari
D.B. Saxena
(Upto 20.12.2000)
N. Srinivasan
(Upto 27.02.2001)
Ashok C. Pratap

BANKERS

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

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.



KOTHARI INDUSTRIAL CORPORATION LIMITED

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

NOTICE TO MEMBERS

NOTICE is hereby given that the 31st Annual General Meeting of the Company will be held as scheduled below :

Day & Date : Wednesday, 24th October, 2001

Time : 11.00 a.m.

Place : The Music Academy (Main Hall)
306, T.T.K. Salai,
CHENNAI 600 014.

The agenda for the meeting will be as follows:

ORDINARY BUSINESS

1. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Directors' Report, Auditors' Report and the audited Profit & Loss Account for the 15 months period ended 31st March, 2001 and the Balance Sheet as at that date circulated to the members be and are hereby approved".

2. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mrs. Surekha P. Kothari be and is hereby re-appointed as a Director of the Company liable to retire by rotation".

3. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. M.K.Dandekar & Co. and M/s.B.B.Naidu & Co., retiring Auditors, be and are hereby reappointed as Joint Auditors of the Company to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting on a remuneration of Rs.90,000/- each in addition to all travelling and other out-of-pocket expenses."

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act, as amended, the reappointment of Mr. Pradip D. Kothari as Managing Director for a period of five years from 1.8.2000 to 31.7.2005 and the remuneration payable to him upon the terms and conditions set out hereunder, be and are hereby approved with powers to the Board of Directors of the Company to alter and vary the terms and conditions of the said appointment and the remuneration within the overall limit envisaged in the aforesaid provisions and Schedule XIII of the Act, as amended, as the Board of Directors of the Company may consider necessary and agreed to by Mr. Pradip D. Kothari.

Remuneration:

A. Salary Rs.2.00 lakhs per month or Rs.24.00 lakhs per annum.

B. Perquisites: The perquisites are classified into three categories as follows:

Category A

(i) Housing: Furnished accommodation/ House rent allowance subject to a ceiling of 60% of the salary.

(ii) Gas, electricity, water and furnishings: The Company shall provide gas, electricity, water and furnishings free of cost.

(iii) Medical reimbursement: Expenses incurred for him and his family.

(iv) Leave travel concession: Incurred for him and his family, once in a year.

(v) Club Fees: Fees of Clubs.

(vi) Personal Accident Insurance: Premium not to exceed Rs.10,000/- per annum. For purposes of determining the perquisites, the family means the spouse,

Kothari Industrial Corporation Limited

the dependent children and dependent parents.

Category B

- (i) Company's contribution to provident fund and superannuation fund or annuity fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
- (ii) Payment of gratuity on his retirement or in the event of his earlier death, to his estate, of an amount to half of his monthly salary immediately prior to retirement or death, for each completed year of service with the Company.
- (iii) Leave in accordance with the Rules of the Company from time to time in force and shall also be entitled to encashment of unavailed leave at the end of the tenure of his employment.

Category C

Provision for use of car on company's business and telephone at residence will not be considered as perquisites. However, the Managing Director will be billed by the company for personal long distance calls on telephone and use of car for private purposes.

C. Commission:

Commission on the net profits of the company subject to overall limits of 5% of the net profits, in respect of salary, perquisites and commission computed in the manner laid down in the Companies Act, 1956.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits during the tenure of Mr. Pradip D. Kothari as Managing Director of the company, the above salary and perquisites not exceeding the ceiling limit of Rs.15,00,000/- per annum or Rs.1,25,000/- per month shall be the minimum remuneration and in addition thereto, he shall be entitled to the perquisites not exceeding the limits prescribed in Section II of Part II of Schedule XIII of the Companies Act, 1956 or such other amount and perquisites provided in the said Schedule XIII as may be amended from time to time".

5. To consider and if thought fit to pass with or

without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the approval of ICICI Ltd., Trustees for the Debentures issued and allotted to Tata Finance Ltd. and subject to confirmation by Tata Finance Ltd. and pursuant to the provisions of Sec.293(1)(a) of the Companies Act, 1956, and such other approval as may be required, the Board of Directors of the Company be and are hereby authorised to transfer or otherwise dispose of the Company's Waterfall Estates (West) situated at Valapara, in Anamallai Hills, Pollachi, Coimbatore as a going concern together with all its assets, rights, benefits and other moveable and immoveable properties comprised in the said estate and all the liabilities, duties and obligations to M/s Kothari Hotels and Breweries Limited. (name of the company proposed to be changed as Waterfall Estate (West) Limited) a wholly owned subsidiary of the Company for eventual sale or to any other prospective buyer or nominee at a price and on such terms and conditions as may be decided by the Board of Directors at the appropriate time.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do and perform all such further acts and sign, seal and execute all such documents, deeds, matters and things (including the agreement for transfer of the industrial undertaking) as may be necessary, usual, proper or desirable for effectuating the transfer and eventual disposal and for giving effect to this resolution"

6. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT approval of the company be and is hereby accorded to the Board of Directors to consider and advise delisting of the company's shares in any of the stock exchanges in which the shares are presently listed".

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to take such other steps as may be necessary for delisting of the company's shares and other securities from the stock exchanges in which shares are listed".

**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.

The Register of Members and the Transfer Books of the Company were closed from Monday, the 17th September, 2001 to 21st September, 2001 (both days inclusive).

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item Nos.4,5 and 6 are annexed to the Notice.

(By Order of the Board)

for Kothari Industrial Corporation Limited

Chennai
28th September, 2001

A RUBANDHAS
Vice-President & Company Secretary

Note:

1. Unclaimed Dividend:

Shareholders are hereby informed that all unpaid/unclaimed dividends for the years upto 1995 have been transferred to the Central Government as per the provisions of Sec.205-A (5) of the Companies Act, 1956. Those shareholders who have not encashed the dividend warrants are requested to claim the amount from the Registrar of Companies, Shastri Bhavan, Haddows Road, Chennai 600 006 and they may contact the Company for any assistance in this connection.

2. Members are also hereby informed that the equity shares of the Company are now available for

dematerialisation/rematerialisation under the Depository System. Members desirous of having more information may write to the Secretarial Department of the company.

3. Members are requested to notify the change of address, if any immediately to the Company.
4. Members with identical order of names who are holding shares in multiple folios are requested to write to the Company enclosing their Share Certificates to enable the Company to consolidate their holdings into one folio.
5. Members/Proxies should bring Attendance Slip (duly completed) for attending the meeting.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Sec.173 of the Companies Act, 1956 in respect of:

Item No.4:

Mr. Pradip D. Kothari was reappointed as Managing Director of the company for a period of five years, which term expired on 31.7.2000.

The Board of Directors at their meeting held on 2nd August, 2000 approved the reappointment of Mr. Pradip D. Kothari as Managing Director of the company for a further period of five years from 1.8.2000 to 31.7.2005 without any change in the terms and conditions of his appointment.

The Board of Directors recommend the resolution for approval of the shareholders.

Inspection of Documents:

1. Copy of resolution passed at the 26th AGM held on 16.9.1995 regarding his reappointment.
2. Copy of resolution passed at the meeting of the Board of Directors of the company held on 2.8.2000 reappointing Mr. Pradip D. Kothari as Managing Director of the company for a period of 5 years from 1.8.2000 to 31.7.2005 on the same terms and conditions of his reappointment.

Interest of Directors:

Mr. Pradip D. Kothari is interested in the resolution under Item No.4 as it relates to the term of remuneration payable to him and Mrs. Surekha P. Kothari is interested in the said resolution being related to Mr. Pradip D. Kothari.

Kothari Industrial Corporation Limited

ITEM NO.5:

The Company had availed a financial assistance of Rs.500 lacs in the year 1997 from M/s Tata Finance Ltd.,(TFL) by subscription to Non-Convertible Debentures (NCDs) with ICICI Ltd. as Trustees for the said Debentures and the shareholders had accorded their consent for mortgaging Waterfall Estate (West) towards creation of security at the AGM held on 29.12.1997 under Sec.293(1)(a) of the Companies Act, 1956 for this purpose.

Due to continued losses of the textile and granite divisions of the company, which, interalia, eroded into the profits of other divisions had led to financial constraints and the NCDs could not be redeemed as per original terms. Subsequently in consultation with TFL, consent terms had been filed before the Mumbai High Court and decreed.

The Board of Directors after considering various options decided to transfer Waterfall Estate (West), situated in Valaparai, Anamallai Hills, Pollachi, Coimbatore as a going concern with all its assets and liabilities to the Company's wholly owned subsidiary for eventual disposal to the prospective buyer subject to such approvals as may be required. M/s Tata Finance Limited would also be a confirming party to the proposal.

The Board of Directors would finalise the terms and conditions including the price in the best interest of the shareholders of the company. The Board of Directors may decide the actual date of transfer and disposal. However, transfer or sale of property requires approval of the shareholders under Section 293 (1) (a) of the Companies Act, 1956, although a resolution was earlier passed under this provision for mortgaging this property at the AGM held on 29.12.1997.

None of the Directors of the Company is concerned or interested in this resolution.

Inspection of Documents

1. Resolution passed by the shareholders at the 28th AGM held on 29.12.1997.
2. Debenture Trust Deed dated 25.6.1997.
3. Consent Terms as decreed.

Item 6

The company's shares were earlier listed in all the stock exchanges. Subsequently, at the EGM held on 1.12.1999, the shareholders had consented for delisting of the company's shares and other securities from the Stock Exchange, Ahamedabad, Bangalore Stock Exchange Limited, The Calcutta Stock Exchange Association Ltd. and The Delhi Stock Exchange Association Ltd. Now the company's shares are listed in Madras Stock Exchange Ltd. (the Regional Stock Exchange) and The Stock Exchange, Mumbai.

In view of the fact that the operations of the company are not presently profitable and the volume of transactions are very low, it is proposed to review the company's listing in the stock exchanges. The Board of Directors may be empowered to consider all aspects about delisting of shares and other securities in the stock exchanges where it is required and take appropriate steps in this regard.

Delisting of securities from any stock exchange with which the securities of the company are listed requires to be approved by the shareholders of the company by a Special Resolution. Hence, the special resolution is placed before the members.

The Board commend the special resolution for approval of the members.

None of the Directors of the company is concerned or interested in this resolution.



REPORT OF THE DIRECTORS

Your Directors present herewith the Thirtyfirst Annual Report on the working of the Company along with the Audited Balance Sheet and Profit and Loss Account for the period ended 31st March, 2001.

The financial results for the period are as follows :

| | (Rs. in lacs) | |
|--|--|---|
| | Period ended 31.3.2001 (15 months) | Period ended 31.12.1999 (18 months) |
| Turnover/Income from Services | 8,743.41 | 14,531.05 |
| Profit on sale of Fixed Assets | <u>2,766.54</u> | <u>606.64</u> |
| Profit before Interest and Depreciation | 1,536.54 | 231.00 |
| Interest and Finance Charges | <u>1,044.70</u> | <u>1,079.27</u> |
| Profit/(Loss) before Depreciation | 491.84 | (848.27) |
| Depreciation | <u>241.17</u> | <u>389.43</u> |
| Profit/(Loss) before tax | 250.67 | (1,237.70) |
| Provision for Income-tax | <u>—</u> | <u>—</u> |
| Profit/(Loss) for the period | 250.67 | (1,237.70) |
| Investment Allowance Reserve written back | — | 14.00 |
| Balance Profit/(Loss) brought forward from the previous year | (199.54) | 14.15 |
| Loss adjusted against General Reserve | <u>—</u> | <u>1,010.01</u> |
| Balance Profit/(Loss) carried to Balance Sheet | <u>51.13</u> | <u>(199.54)</u> |

In view of inadequacy of profits, after adjustment of brought forward losses, the Directors have not recommended any dividend for the period under review.

Accounting year of the Company

The financial year of the company was changed from January - December to April - March and the financial year 2000 has therefore been extended upto 31st March, 2001, covering a period of fifteen months.

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 31.03.2001 (15 months) | Period ended 31.12.1999 (18 months) | Period ended 31.03.2001 (15 months) | Period ended 31.12.1999 (18 months) |
| FERTILISERS | | | | | |
| Superphosphate | (tonnes) | 49,533 | 96,436 | 1,851.29 | 3,734.88 |
| Sulphuric Acid | (tonnes) | 19,894 | 33,719 | 130.16 | 142.10 |
| Mixtures | (tonnes) | 37,651 | 75,470 | 1,855.48 | 3,352.40 |
| Sodium Silico Fluoride | (tonnes) | 68 | 96 | 8.96 | 9.59 |
| Straight Fertilisers | | — | — | 1,688.88 | 2,357.92 |
| | | | | 5,534.77 | 9,596.89 |
| PLANTATION | | | | | |
| Tea | (lac kgs) | 42.77 | 47.75 | 2,424.40 | 3,671.02 |
| Coffee | (tonnes) | 449.00 | 485.00 | 298.90 | 504.33 |
| | | | | 2,723.30 | 4,175.35 |
| TEXTILES | | | | | |
| Yarn | (lac kgs) | — | 2.08 | — | 342.58 |
| Cloth | | — | — | — | 30.37 |
| Waste | | — | — | — | 20.94 |
| Conversion charges | | — | — | — | 128.66 |
| | | | | | 522.55 |
| GRANITE | | | | | |
| Monuments | (cubic metres) | 641.00 | 219.00 | 438.11 | 177.37 |
| COFFEE CURED | | | | | |
| Curing Charges | (tonnes) | 2,319 | 2,457 | 47.23 | 58.89 |
| GRAND TOTAL | | | | 8,743.41 | 14,531.05 |

FERTILISERS

The performance of this division during the period under review was seriously affected due to the non-availability of Rock phosphate which is an essential raw material for operating the Super Phosphate (SSP) plant and the production of SSP and Sulphuric Acid was affected for 158 days. The operations of Super Phosphate and Sulphuric Acid plants which were suspended since February, 2001 are yet to be resumed. Due to financial constraints, the replacement of major equipment in the Sulphuric Acid Plant could not be taken up. Due to adverse monsoon in South India and liquidity constraints,

NPK mixtures operation had slowed down which had an impact on the turnover of the Division. This Division is expected to perform well in the current financial year.

PLANTATION**TEA**

The performance of the Tea Division during the period under review was badly affected on account of sharp decline in tea prices and the average selling price went down by Rs.13.98 per kg. compared to the previous period. Tea production was at 45.27 lac Kgs. including bought leaf for the 15 months period. The



performance of this Division during the current year continues to be affected due to further decline in tea prices and increase in the cost of production coupled with adverse weather conditions.

COFFEE CURING WORKS

Coffee Curing Works cured 2319 tonnes during the period under review as against 2457 tonnes of the previous period. As curing coffee is unviable in the prevailing conditions and as already mentioned in the last Annual Report, the company has been negotiating with prospective buyers to dispose off the curing works as a going concern.

GRANITE DIVISION

The performance of the Granite Division continues to be affected on account of high competition in the international market and financial constraints. The transfer of this Division to the wholly owned subsidiary of the company for which the permission of the members has already been obtained, will be made on completion of certain other procedural formalities.

TEXTILES DIVISION

The transfer of Kothari Textiles - Mill No.2 to the wholly owned subsidiary of the company has been effected on 12.7.2001 and the post-transfer formalities are in progress and is expected to be completed in the current financial year.

FINANCIAL

In order to fund the cash losses incurred due to poor performance of Textile and Granite Divisions and as part of ongoing restructuring exercise, the company has sold its Coffee Estate, viz. Coovercolly Estate, situated at Coorg, Karnataka during the period under review and the entire proceeds were utilised to discharge certain high cost borrowings. The company was able to settle only part of the high cost borrowings from out of the sale proceeds of Coovercolly Estates and is also taking steps to mobilise funds to discharge the balance amount of high cost borrowings, including amount due to Tata Finance Ltd. on account of debenture assistance in terms of the Consent Decree and is hopeful of clearing the dues during the current financial year. Certain lease rentals relating to textile machinery had fallen in arrears, leading to certain court action and the matter is being resolved in an amicable manner.

The Company is endeavouring to pay part of overdue interest to the debentureholders to the

extent of Rs.50 lacs immediately as per the Consent Decree of High Court of Judicature at Mumbai. Thereafter, the company would approach the Debenture Trustee, investment institutions and the Debenture holders with a fresh proposal to settle the balance overdue interest and the redemption amount taking into account of the company's present financial constraints and on approval, the company would file modified consent terms in the High Court of Judicature at Mumbai for orders.

DIRECTORS

Mr.Pradip D. Kothari was reappointed by the Board of Directors as the Managing Director of the company for a period of five years from 1.8.2000, subject to the approval of the shareholders. Necessary resolution is placed before the shareholders for approval.

Mr.D.B. Saxena resigned from the Board on 21st December, 2000 to devote himself full time in the legal profession. Mr.N. Srinivasan resigned from the Board on 28th February, 2001 following the reduction in the number of Directorship introduced in the Companies (Amendment) Act, 2000. Mr.H.S. Majumder resigned from the Board with effect from 30th June, 2001 on health grounds. The Board records its appreciation of the services rendered by the aforesaid Directors during their long tenure as Directors of the company.

Mrs. Surekha P Kothari retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

Responsibility Statement

The Directors confirm that

- In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- They have selected such accounting policies and applied them consistently and made judgements 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 and of the Profit or Loss of the company for that period;
- To the best of their knowledge and information, they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the