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32nd ANNUAL REPORT  
2001-02



KOTHARI INDUSTRIAL CORPORATION LIMITED

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## PHYSICAL PERFORMANCE:

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

PRODUCTION			TURNOVER		
			(Rs. in lacs)		
		2001-2002 (12 months)	2000-01 (15 months)	2001-02 (12 months)	2000-01 (15 months)
FERTILISERS					
Superphosphate	(MT)	3,383	49,533	252.20	1,851.29
Sulphuric Acid	(MT)	—	19,894	8.20	130.16
Mixtures	(MT)	29,827	37,651	1,497.64	1,855.48
Sodium Silico Fluoride	(MT)	22	68	3.11	8.96
Straight Fertilisers		—	—	572.89	1,688.88
				2,334.04	5,534.77
PLANTATION					
Tea	(lac kgs)	27.81	42.77	1,602.73	2,424.40
Coffee	(tonnes)	—	449.00	—	298.90
				1,602.73	2,723.30
GRANITE					
Monuments	(cubic metres)	335.00	641.00	242.60	438.11
COFFEE CURED					
	(tonnes)	416	2319		
Curing Charges				8.24	47.23
GRAND TOTAL				4187.61	8743.41

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The year 2001-02 was a difficult one for the Indian industry as a whole and your company was no exception.

The performance of the company, during the year under review, was affected due to the general economic recession and also because of the severe financial constraints faced by the company. The operation of the fertiliser factory was suspended for more than ten months as the company was not able to import the raw materials required for operating the Superphosphate plant. The operation of the sulphuric acid plant was also not revived as it required major infusion of funds to restart the factory. Coupled with the failure of monsoon in South India, the sale of NPK mixtures was also not encouraging. As against the target of 50,000 MT, the company was able to achieve a production of 29827 MT only. These factors have resulted in substantial loss of business in the fertiliser division.

The performance of the Plantation Division, viz. Tea, during the year under review, was not encouraging either. The declining trend in tea prices coupled with increase in production cost and cheaper import of teas from the neighbouring countries have made the survival of the industry difficult. Yet, your Tea Division has achieved a production of 27.81 lac Kgs. of tea during the year under review at an average price realisation of Rs.49.53 per Kg. and earned a profit at the estate level by adopting austerity measures. However, the profits were not adequate to cover the interest burden and other corporate overheads.

During the period from April 2001 till 30th September, 2001, the Kothari Coffee Curing Works, run by your company, earned a curing income of Rs. 8.24 lacs. The maintenance

and operation of the curing works was becoming unviable as the company was not able to make optimum utilisation of the machinery and this resulted in more cash loss to the company. In view of this, your company has entered into a Memorandum of Understanding with Karnataka Coffee Brokers Association Pvt. Ltd., who have shown interest to buy the unit. Pending completion of the transfer formalities, the Curing Works is being operated and maintained by the buyer effective 1st October 1, 2001.

The company obtained the shareholders' permission for transferring the Granite Division to a wholly owned subsidiary, viz. Chennai Agro Tech And Stones Ltd. of the company for eventual disposal. Pursuant to this, your company had entered into a Tripartite Agreement with Chennai Agro Tech And Stones Ltd. and Om Rock Exports Pvt. Ltd. for transfer and ultimate sale. During the year under review, the Granite Division recorded a sale of Rs. 242.60 lacs, which however could not cover the cost of operations of the division.

The financial position of the company has not improved much even after carrying out certain restructuring exercises. Your company has sold certain assets as a part of restructuring exercise to mop up resources to consolidate the operations of the company. However, the slowdown in the economy and in particular, the fall in tea prices and poor capital market have affected the realisation of money from the sale of the assets. Though substantial liabilities were reduced, adequate funds were not available for improving the operations of the company.

Because of ill-liquidity, your company was not able to pay the interest to Debentureholders on the NCDs. and also could not pay redemption amount to them on the due dates. However, your

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company has paid half-yearly interest to individual debentureholders as per the consent decree of the Mumbai High Court and your company is approaching the debenture holders for varying the terms of consent and for a One Time Settlement.

## **FUTURE OUTLOOK :**

Your company has been experiencing difficult situations during the last five years due to various adversary factors which were beyond the control of the management. After embarking upon various restructuring exercise, your company, by and large, has reduced its liabilities and with the proposed joint venture or transfer of the Glendale Estate, your company will be able to free itself from any other major liability.

Adequate steps are being taken not only to revive the operations of the Fertiliser Division, but also embark upon expansion and modernisation from the proposed joint venture / sale of Glendale Estate and also by exercising strict control over cost and adopting austerity measures, apart from reducing the employees strength.

## **DIRECTORS :**

Mr.Jagjit Lal Pasricha was inducted on the KICL Board as Director on 17.2.2002. He resigned from the Board with effect from 20.8.2002. The Board placed on record its appreciation of the services rendered by him during his brief tenure as Director.

Mr.P.G.Daftary resigned from the Board with effect from 20.8.2002 on health grounds. The Board placed on record its appreciation of the services rendered by Mr.P.G.Daftary during his long tenure as Director of the company.

Mr Ashok C. Pratap retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

## **RESPONSIBILITY STATEMENT:**

The Directors confirm that:

- (a) 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;
- (b) 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;
- (c) 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 assets of the company and for preventing and detecting fraud and other irregularities.
- (d) They have prepared the annual accounts on a going concern basis.

## **CONSOLIDATED FINANCIAL STATEMENT**

The company's two wholly owned subsidiaries, viz. Kothari (Madras) International Ltd. and Chennai Agro Tech And Stones Ltd. are held with a view of their disposal in the near future. Clause 11 of the Accounting Standard No.21 on consolidated financial statements issued by

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the Institute of Chartered Accountants of India exempts the presentation of consolidated accounts of holding and subsidiary companies in the circumstances and hence not included in the Annual Report.

## **AUDITORS :**

M/s M.K.Dandekar & Co., and M/s B.B.Naidu & Co., Chartered Accountants, Chennai, the retiring Auditors are eligible for reappointment.

## **AUDITORS' REPORT :**

With regard to the remarks in the Auditors' Report, the relevant financial notes are self explanatory and in the opinion of the management, do not call for further elucidation.

## **SAFETY AND ENVIRONMENT :**

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

## **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.

## **DEPOSITS :**

The company held Rs.86.23 lacs as deposits from public and OCBs as on 31st March, 2002, out of which deposits aggregating to Rs.9.63 lacs have matured, but remain unclaimed as on that date.

## **PARTICULARS OF EMPLOYEES :**

Particulars of employees required under Sec.217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 may be obtained from the Registered Office of the company by those shareholders who desire to have the same.

## **SUBSIDIARIES :**

The results of Kothari (Madras) International Limited, one of the subsidiaries is attached to this Report along with the statement specified in Section 212 of the Companies Act, 1956. However, the accounts for the subsidiary, Chennai Agro-Tech And Stones Ltd. could not be made ready and hence the company is seeking permission of the Central Government under Sec.212(8) of the Companies Act, 1956.

## **CORPORATE GOVERNANCE :**

A report on Corporate Governance is annexed to this report.

## **ACKNOWLEDGEMENT :**

Your Directors place on record their appreciation of the valuable support and timely help of the financial institutions, government authorities, banks and employees. The cooperation and the forbearance of the members are gratefully acknowledged.

*On behalf of the Board of Directors*

**Pradip D. Kothari**  
Chairman and  
Managing Director

Place: Chennai  
Date : 15.10.2002

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## REPORT ON CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges, the Company submits the Report on matters mentioned in the said clause.

### 1. Company's Philosophy on code of Governance

Your company's philosophy on Corporate Governance is guided by a strong emphasis on transparency, accountability and integrity and has been practicing the principles of Corporate Governance over the years. All employees are bound by a Code of Conduct which sets forth Company's policies on important issues, including our relationship with customers, shareholders, government and the society.

### 2. Composition of Board

The Board of Directors consists of Chairman-cum-Managing Director and the composition of the Board is in conformity with the listing agreement.

Except the Chairman-cum-Managing Director, all other Directors are liable to retire by rotation as per the provisions of the Companies Act, 1956.

The composition of the Board and other relevant details relating to Directors are given below:

Mr. Pradip.D. Kothari	Chairman-cum Managing Director
Mr. P.G.Daftary	Director
Mr. Ashok C. Pratap	Director
Mrs.Surekha P. Kothari	Director
Mr. H.S. Majumder	Director
	(Resigned w.e.f. 30.06.2001)

### Attendance of each Director at Board Meetings and last Annual General Meeting:

During the year 2001-02, one general meeting and five Board Meetings were held on 30.6.2001, 21.8.2001, 28.9.2001, 24.10.2001 & 28.1.2002. The Annual General Meeting was held on 24<sup>th</sup> October, 2001.

### Attendance of each Director at the last Annual General Meeting and the Board Meetings:

Name of Director	Attendance at the Last Annual General Meeting	No. of Board Meetings attended
Mr. Pradip D. Kothari	Yes	5
Mr. P.G. Daftary	Yes	5
Mr. Ashok C. Pratap	No	—
Mrs.Surekha P.Kothari	No	2
Mr. H.S. Majumder	—	—

Mr. Ashok C Pratap who is seeking reappointment as Director at this Meeting is a Barrister at Law and particulars of his Directorships in other companies other than Private Limited Companies are as follows.

1. Glitsh Process India Limited
2. Goodwill Tidewater (India) Limited
3. Hindusthan Magcobar Chemicals Ltd
4. VXL Landis & Gyr Limited

Consequent to the resignation of Mr. P. G. Daftary and Mr. Jagjit Lal Pasricha, it is proposed to broad base the Board with induction of additional Directors shortly.

### 3. Audit Committee

The Audit Committee constituted in the year 1988. The composition of the Audit Committee is as under:

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1. Mr.P.G.Daftary, Chairman
2. Mr. .Pradip D.Kothari
3. Mrs.Surekha P.Kothari (inducted as a member on 20<sup>th</sup> August 2001).

The terms of reference of the Audit Committee include:

- a) To review financial statements and pre-publication announcements before submission to the Board.
- b) To ensure compliance of internal control systems and action taken on internal audit reports.
- c) To apprise the Board on the impact of accounting policies, accounting standards and legislation.
- d) To hold periodical discussions with statutory auditors on the scope and content of the audit.
- e) To review the Company's financial and risk management polciies.

During the financial year 2001-02, four audit committee Meetings were held on 30.6.2001, 20.8.2001, 28.9.2001 & 28.1.2002.

Attendance of the Director at the Audit Committee Meetings:

Name of Director	No. of Board Meetings attended
Mr. Pradip D. Kothari	5
Mr. P.G. Daftary	5
Mrs.Surekha P. Kothari	2
Mr. H.S. Majumder	-

#### 4. Remuneration of Directors :

No remuneration is paid to any Director of the company, excepting the Managing Director. Only Sitting fee is paid to non-wholetime Directors for attending Board Meetings and Meetings of Committee of Directors, details of which were as under:

Mr. P.G. Daftary ..	Rs.18,000/-
Mrs. Surekha P. Kothari..	Rs. 6,000/-

The Company would soon broadbase its Board when a remuneration committee would also be constituted .

#### Remuneration paid to Managing Director:

Details are published in the notes on the Annual Accounts.

#### 5. Shareholders / Investors Grievance Committee

The Board has constituted a One Man Committee for Share Transfer and Investor Grievance and Mr.Pradip D.Kothari, is the One Man Committee Member and it meets every month to consider, inter alia, share transfers, shareholders' complaints etc.

During the year 2001-02, all complaints received from shareholders/investors have been appropriately attended to.

All valid share transfers received during the year 2001-02 have been acted upon by the Company and there are no pending share transfers as on March 31, 2002.

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## 6. General Body Meetings.

Location and time where last three Annual General Meetings were held are given below:

Year	Date of AGM	Venue	Time
1997-98	28.12.1998	Rani Seethai Hall, Chennai	10.15 a.m.
1998-99*	27.03.2000 <sup>§</sup>	Music Academy, Chennai	03.30 p.m
2000-01 @	24.10.2001	Music Academy, Chennai	11.00 a.m.

\* For a period of 18-months ended 31<sup>st</sup> December, 1999

<sup>§</sup> Adjourned AGM held on 5-10-2000

@ For a period of 15-months ended 31<sup>st</sup> March,, 2001

Postal ballot was conducted in accordance with the provisions of Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001 in regard to the transfer of the company's Waterfall (West) Estate to the wholly-owned subsidiary for eventual sale to any other prospective buyer. The postal ballot papers were scrutinized by Mr. A. Rubandhas, the then Company Secretary and Mr. Kishore Dandekar, Chartered Accountant. The resolution was approved with 99.94 percentage voting in favour of the resolution.

An ordinary Resolution requiring a postal ballot, set out in item No.4 of the Agenda, convening 32<sup>nd</sup> Annual General Meeting is being proposed and the ballot papers are being sent along with the notice of the Annual General Meeting.

## 7. Disclosures

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors, their relatives, subsidiaries etc. are included in the Notes to the Annual Accounts.

a) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The company is in arrears of Listing Fees to the Chennai and Mumbai Stock Exchanges and the Central Depository Services Ltd. The matter is being regularised.

## 8. Means of Communication

The quarterly, half-yearly and audited financial results are published in News Today(English) and Makkal Kural (Tamil). These are not sent individually to the shareholders.

## 9. Management discussion and Analysis Report

The tea industry has been experiencing continuous decline in prices with the selling price not matching with the production cost in many of the tea estates. With the deterioration of tea marketing system, import of cheaper tea from neighbouring countries like Sri Lanka has seriously affected the tea market. However, to defy this trend, your company is planning to transfer the tea division as a separate entity with a joint venture partner with the purpose for value addition.

Regarding the fertiliser division, with the proposed infusion of funds and by adopting various austerity measures, your company expects to improve the operations of this division. The potentials for the company's fertiliser products are good. With substantial net working base being available for

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the division, the management is confident of performing well as before.

However, since the company's operations are agro-based, failure of monsoon would affect the performance.

The management is also proposing to reduce the employees strength by proposing a voluntary retirement scheme.

## 10. General Shareholder Information

### 32<sup>nd</sup> Annual General Meeting:

Day and Date :	Thursday, the 14 <sup>th</sup> November, 2002
Time :	11.30 a.m.
Venue :	The Music Academy New No.168, Old No.306, T.T.K.Road Chennai-600 014.

### Financial Calendar

The company follows April - March as its financial year. The results for every quarter beginning from April is considered by the Audit Committee at the Board of Directors and periodically published in Newspapers.

### Date of Book Closure:

1.11.2002 to 8.11.2002 (both days inclusive)

### Listing on Stock Exchange:

The Company's shares are listed on Madras and Mumbai Stock Exchanges.

### Stock Code:

The Stock Codes for the Company's Shares are as follows:

The Stock Exchange, Madras : KOTHINDL  
The Stock Exchange, Mumbai : 509732

### Market Price Data :

The monthly high and low quotations of shares traded during 2001-2002 on the Madras Stock Exchange Ltd. and The Stock Exchange, Mumbai are as follows :-

Madras Stock Exchange Ltd. : No Transactions took place

The Stock Exchange Mumbai

Month	High Rs. P.	Low Rs. P.
2001		
April	1.40	0.80
May	1.00	0.80
June	1.60	1.05
July	1.25	0.55
August	0.80	0.55
Sept.	1.20	1.00
October to March, 2002	(No transaction reported)	

### Registrars and Share Transfer Agents:

The Company has inhouse secretarial department for processing the share transfer/transmission applications in the physical forms.

However, under a notification issued by SEBI the company shares are required to be traded in the market only in electronic form with effect from 12.6.2000. For this purpose, the company has appointed M/s.Integrated Enterprises (India) Pvt.Ltd., as the Registered transfer Agent.

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## (A) POWER AND FUEL CONSUMPTION

FORM A	CURRENT YEAR (2001-02)			PREVIOUS YEAR (2000-01)		
	Tea	Fertiliser	Granite	Tea	Fertiliser	Granite
<b>ELECTRICITY</b>						
<b>A. Purchased :</b>						
Units	1783464	247571	224036	2728077	3013098	542865
Total amount (Rs.)	8721945	2980617	1689838	13181468	14246252	3484460
Rate per unit (Rs.)	4.89	12.04	7.54	4.83	4.73	6.42
<b>B. Own generation:</b>						
Through diesel generator						
Units	20987	6321	-	177499	15180	-
Units per litre of diesel	2.27	2.00	-	3.18	2.00	-
Cost per unit (Rs.)	8.14	11.29	-	5.21	39.05	-

## (B) CONSUMPTION PER UNIT OF PRODUCTION

	Current Year (units)	Previous Year (units)
<b>1. Electricity:</b>		
Tea per kg	0.62	0.64
Superphosphate per MT	19.70	27.92
Sulphuric acid per MT	—	82.71
Granite per cbm	668.76	846.90

Note: The Current and Previous years' figures are for 12 months and 15 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.