

# **33rd ANNUAL REPORT 2002-03**



**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 33rd Annual General Meeting of the Company will be held as scheduled below :

Day & Date: Tuesday, the 27th September, 2005

Time : 2.45 p.m.

Place : German Hall  
17, Prakasam Street,  
T. Nagar,  
CHENNAI 600 017.

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 audited Profit & Loss Account for the 15-months ended 30<sup>th</sup> June, 2003 and the Balance Sheet as at that date along with the Auditors' Report and the Directors' Report circulated to the members be and are hereby adopted".

(By Order of the Board)

#### SPECIAL BUSINESS

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

"RESOLVED that the appointment of Messrs M.K. Dandekar & Co., and Messrs B.B. Naidu & Co., Chartered Accountants, as Joint Auditors of the Company who have audited the accounts of the Company for 2003-04 (9-months from 1.7.2003 to 31.3.2004) at a remuneration of Rs.90,000/- each plus service tax and out-of-pocket expenses be and is hereby ratified".

**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.**

for Kothari Industrial Corporation Limited

Place : Chennai

Date : 03.09.2005

**Pradip D. Kothari**  
Director

#### 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. The Register of Members and the Transfer Books of the Company were closed from Tuesday, the 16th December, 2003 to Friday, the 19th December, 2003 (both days inclusive).

3. 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.
4. Members are requested to notify the change of address, if any immediately to the Company.
5. 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.
6. Members/Proxies should bring Attendance Slip (duly completed) for attending the meeting as well as copy of the Annual Report.

## Kothari Industrial Corporation Limited

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

#### **Item No.2:**

At the 32<sup>nd</sup> Annual General Meeting of the Company for the year 2001-02 held on 14<sup>th</sup> November, 2002 Messrs. M.K. Dandekar & Co., and Messrs. B.B. Naidu & Co., Chartered Accountants were re-appointed as Joint Auditors of the Company to hold office from the conclusion of that Annual General Meeting till the conclusion of the next Annual General Meeting. However, due to certain restructuring proposals then under consideration of the Company

including organisational changes at the corporate office, the 33<sup>rd</sup> Annual General Meeting of the Company could not be held on the due date. The Auditors in view of their terms of appointment continued to function and discharge their duties as Statutory Auditors of the Company during 2003-04. The members are requested to ratify the appointment and payment of remuneration to the Statutory Joint Auditors of the Company for 2003-04.

The Board commends the resolution as set out in the Notice for approval of the Shareholders.





## REPORT OF THE DIRECTORS

Your Directors present herewith the Thirtythird Annual Report on the performance of the Company along with the Audited Balance Sheet and Profit and Loss Account for the 15 months period ended 30<sup>th</sup> June, 2003.

The financial year of the Company was changed from April – March to July-June and the financial year 2002-03 was extended by three months, comprising of 15-Months period.

Financial Results	(Rs. in lacs)	
	2002-03 (15 months)	2001-02 (12 months)
Turnover/Income from Services	3,771.56	4,179.37
Profit on sale of Fixed Assets	15.79	1,364.48
Other Income	218.15	188.97
Profit/(Loss) before Interest and Depreciation	(600.41)	(67.74)
Interest and Finance Charges	79.94	455.54
Profit/(Loss) before Depreciation	(680.35)	(523.28)
Depreciation	153.94	148.49
Profit/(Loss) before Tax	(834.29)	(671.77)
Provision for Income Tax	(180.52)	—
Profit/(Loss) after Tax	(653.77)	(671.77)
Balance Profit/(Loss) brought forward from the previous year	(620.64)	51.13
Balance Profit/(Loss) carried to Balance Sheet	(1,274.41)	(620.64)

In the absence of profits for the period under review, the Directors could not recommend any dividend.

## PHYSICAL PERFORMANCE:

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

		PRODUCTION		TURNOVER	
		2002-03 (15 Months)	2001-02 (12 months)	2002-03 (15 Months)	2001-02 (12 months)
<b>FERTILISERS</b>					
Superphosphate	(MT)	—	3,383	148.03	252.2
Sulphuric Acid	(MT)	—	—	—	8.2
Mixtures	(MT)	31,711	29,827	1756.83	1497.64
Sodium Silico Flouride	(MT)	—	22	—	3.11
Straight Fertilisers		—	—	767.78	395.02
Pesticides Trading		—	—	222.92	177.87
				<b>2895.56</b>	<b>2334.04</b>
<b>PLANTATION</b>					
Tea	(lac Kgs)	16.95	27.81	876	1602.73
<b>GRANITE</b>					
Monuments	(cubic metres)	—	335	—	242.6
<b>COFFEE CURED</b>					
Curing Charges	(MT)	—	416	—	—
		—	—	—	8.24
				<b>3771.56</b>	<b>4187.61</b>

## Kothari Industrial Corporation Limited

The performance of the Company during the period under review was affected due to general economic recession, monsoon failure and financial constraints faced by the Company. The operations of the Fertilizer Factory, Super Phosphate Plant and Sulphuric Acid Plant continued to be suspended during the period under review. There was improvement in the sale of NPK Mixtures, Trading in Pesticides and Straight Fertilizers.

The performance of the Tea Division was affected on account of sharp decline in tea prices. Tea Division was unable to take up any development work.

Kothari Coffee Curing Works was operated and maintained by the buyer pending completion of formalities.

The Company obtained consent of the Shareholders pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956 for transfer of Glendale Estate, Nilgiris, Tamilnadu for transfer to the Company's wholly owned subsidiary Messrs Kothari (Madras) International Limited.

Due to severe financial constraints, the Company was not able to pay the overdue interest to the Debentureholders in respect of 16% Secured Redeemable Non Convertible Debentures of Rs. 150/- each and also could not redeem the Debentures on the due dates. At the meeting of the Debentureholders held on 22<sup>nd</sup> April, 2003, subject to the approval of UTI, consent was accorded for seeking modification to the Consent Terms dated 23<sup>rd</sup> June, 2000, redeeming the Debentures before 30<sup>th</sup> September, 2003, for payment of simple interest at 5% per annum and for waiver of interest, overdue interest and future interest liability. The Company could not implement the resolutions since the expected investment of funds did not materialize.

The Company continues to pursue its efforts to settle the dues to the pressing creditors including the Debentureholders' liability. The Company was also exploring the possibility of inducing a joint venture partner who would be able to invest funds for settling the creditors, for reviving the operations of Fertilizer Division and for providing working capital funds.

### DIRECTORS:

Mr.B. Perumalswamy and Mr.G.Natarajan were appointed as Additional Directors of the Company

on 14<sup>th</sup> November, 2002.

### 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 assets of the Company and for preventing and detecting fraud and other irregularities; and
- 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 Limited and Chennai Agro Tech and Stones Limited 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 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

Messrs M.K Dandekar & Co., and 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. As regards gratuity liability, an actuarial evaluation will be undertaken to quantify the shortfall in this regard.

### 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.72.53 lacs as deposits from public and OCBs as on 30th June, 2003 out of which deposits aggregating to Rs.70.16 lacs (including NRI deposits of Rs.65.14 lacs) have matured, but remain unclaimed as on that date. Of the balance, Rs.0.03 lacs is repayable within a year.

#### **PARTICULARS OF EMPLOYEES:**

None of the employees were in receipt of remuneration of Rs.2 lacs or more per month.

#### **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., are not available since the operator of the division has not yet submitted the accounts.

#### **CORPORATE GOVERNANCE:**

The Company is presently handicapped due to absence of a Company Secretary (the previous Company Secretary having left the services in December 2004) and there being only a skeleton staff in the Secretarial Department, it has not been possible to prepare in time the Corporate Governance and Management Analysis Report required to be annexed to the Annual Report which shall be circulated to the Members as soon as they are compiled.

#### **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

Place : Chennai

Date : 3rd September 2005

**Pradip D. Kothari**  
Chairman

**Kothari Industrial Corporation Limited****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. Total foreign exchange outgo

	Rs. in lacs	
	2002-03 (15 months)	2001-02 (12 months)
Imports	—	67.00
Expenditure	3.18	1.05
	<u>3.18</u>	<u>68.05</u>

3. Total foreign exchange earned

**FORM A**  
**(A) POWER AND FUEL CONSUMPTION**

	CURRENT YEAR (2002-03)			PREVIOUS YEAR (2001-02)		
	TEA	FERTILISER	GRANITE	TEA	FERTILISER	GRANITE
<b>ELECTRICITY</b>						
<b>a. Purchased:</b>						
Units	874744	—	—	1783464	247571	224036
Total amount (Rs.)	4886958	—	—	8721945	2980617	1689838
Rate per unit (Rs.)	5.59	—	—	4.89	12.04	7.54
<b>b. Own generation:</b>						
Through diesel generator						
Units	34129	—	—	20987	6321	—
Units per litre of diesel	2.41	—	—	2.27	2.00	—
Cost per unit (Rs.)	8.19	—	—	8.14	11.29	—

**(B) CONSUMPTION PER UNIT OF PRODUCT**

	Current Year (units)	Previous Year (units)
<b>1.Electricity:</b>		
Tea per kg	0.50	0.62
Super phosphate per MT	—	19.70
Granite per Cbm	—	668.76

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





## Kothari Industrial Corporation Limited

### REPORT OF THE AUDITORS

To  
The Members of  
Kothari Industrial Corporation Limited

We have audited the attached Balance Sheet of Kothari Industrial Corporation Limited as at 30<sup>th</sup> June 2003 and Profit & Loss Account of the Company for the period ended on that date annexed thereto both of which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. The standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. We have broadly obtained all the information and explanations, **excepting Granite Division (refer note no. 10(ii))**, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law, have been kept by the Company with the **exception of those relating to Granite Division** so far as appears from our examination of those books.
3. The Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with such books referred to in Paragraph 2 above.
4. In our opinion, the Balance Sheet and Profit and Loss Account and Cash flow statement dealt with by this report comply with the Accounting Standards referred in sub-section (3 C) of section 211 of the Companies Act 1956. With the exception of non observance of accrued basis of accounting referred to in this specific qualifications listed in para 7 of this report.
5. In view of the Company not having redeemed the debentures and repaid the term loan to

financial institutions and certain matured fixed deposits for a period exceeding three years, we report that all the Directors are disqualified as on 30.6.2003 from being appointed as Directors in any other Public Limited Company in terms of Section 274(1)(g) of the Companies Act, 1956. The Company has been advised by counsel that there is no bar from the defaulting Directors of the Company from being reappointed Directors in the same defaulting Company.

6. In our opinion, the said accounts together with the accounting policies and notes in Schedule No.17, give the information required under the Companies Act, 1956 in the manner so required.
7. **Attention is invited to**
  - i) **Note No. 7(ii) relating to non provision for disputed sales tax demands aggregating to Rs.891.97 lacs**
  - ii) **Non provision for power tariff consequent to withdrawal of concessional power tariff relating to earlier years Rs.328.73 lacs (note 7(iii))**
  - iii) **An amount of Rs.659.77 lacs is due by a public company which is under liquidation. (Note 12(b) (i)) and overdue amount of Rs.842.58 lacs (Note 12(b)(iii)) both being related parties.**
  - iv) **The advances referred to in para (iii) above have been to companies with which there is no direct business nexus and the end use of these amounts by the recipient companies which, we are informed, are controlled by the promoters, his family members and associates, have not been made known to us to comment on the propriety of these transactions or the recoverability of these amounts.**
  - v) **Non provision for potential liability for unfulfilled export obligation pertaining to textile division amounting to Rs. 84.07 lacs. (Note 7(vii))**
  - vi) **Non provision for Overdue and Penal interest and other charges in respect of certain Non Convertible Debentures, which have become overdue for redemption. (Note 3(i)). Consequentially, the bank borrowings and outstanding liability to debenture**



holders, are understated in the Balance Sheet.

vii) Non incorporation of the transactions of the Granite Division during the year. (Note 10(ii) ).

viii) The Company has yet to give effect to the order of City Civil Court, Chennai regarding refund of share monies. (Note 2 (v) & (vi))

ix) The Company has not given effect to the consent decree filed with Supreme Court regarding disputed share allotment (Note 2 (vii))

x) The liability on account of shortfall between the realisable value of certain leased machineries of Kothari Mill No.2 repossessed by the leasing company and the amount that would become ultimately payable, has not been quantified and provided for. (Note 17(a)).

xi) The Suspension of construction activities at Brewery Project in Andhra Pradesh (Note 18(i))

xii) Legal possession of certain plantation lands acquired is over due and yet to be registered by the company (Sch.5 Note 2)

xiii) We have not audited the unpaid dividend bank accounts of the company in the absence of complete details / bank statements and the consequential payments to the Investor Education and Protection Fund.

xiv) Non provision of interest on certain unsecured advances to related parties (Note 16(iii)).

xv) Non provision of diminution in the value of investment in subsidiary M/s. Kothari (Madras) International Limited (Note No.19).

xvi) The company has not conducted Audit Committee meetings during the period.

xvii) Advances include Rs.273.70 Lacs due from Kothari Group Employees Gratuity Fund representing Gratuity paid directly to employees by the Company. In the absence of ascertainment of the quantum of gratuity liability either on actuarial basis or otherwise, it has not been possible

to ascertain whether the gratuity liability has been recognised in full in the accounts and whether the amount of Rs.273.70 lacs shown as due from the Gratuity fund is recoverable in the absence of the accounts of the fund made available to us.

8. a. We are unable to express any opinion on
    - (i) the quantum of liability relating to item (i), (ii), (v) in paragraph (7),
    - ii) the realisability of the amounts referred to in paragraph (7) (iii) & (iv) above and
    - iii) the effect of impact of significant matters mentioned in paragraph (7) (vi), (vii), (viii), (ix), (x), (xi), (xii) and (xv) the quantum thereof not having been quantified or estimated by the company
    - iv) The effect of unadjusted shortfall between the revalued assets and the reduced Revaluation Reserve on account of periodical utilisation of the Reserve in the earlier years for absorbing capital losses on disposal of certain divisions in the past years amount not quantified by the management.
  - b. Considering developments which have taken place after the Balance Sheet date referred to in Note No. 26 and erosion in networth besides the exposure of the company in regard to guarantees issued by the company which might devolve on the company we are unable to express any opinion on the financial viability of the company. The future profitability would depend upon further financial assistance / restructuring scheme in the absence of which the presentation of the accounts on principles applicable to a going concern in our opinion is inappropriate.
  - c. The future survival of the Company would depend upon the successful resolution of certain winding up petitions filed by certain creditors before the various courts.
9. In view of our observations in paragraphs (7) and (8) above, and the consequent effect thereof on the Reserves and the Loss for the period both being not quantifiable, we