

36th ANNUAL REPORT
2005-06



KOTHARI INDUSTRIAL CORPORATION LIMITED

Kothari Industrial Corporation Limited



BOARD OF DIRECTORS

Mr. Pradip D. Kothari
Chairman & Managing Director

Mr. T. Sankaran

Mr. K. Santhanam

Mr. A.R. Krishnan

AUDITORS

Sri & Sri Associates
Chartered Accountants
Chennai

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 36th Annual General Meeting of the Company will be held as scheduled below :

Day & Date : Saturday, the 26th April, 2008

Time : 10.35 a.m.

Place : RANI SEETHAI HALL
603 Anna Salai,
CHENNAI 600 006.

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 and cash flow statement for the year ended 31st March, 2006 and the Balance Sheet as at that date along with the Auditors' Report and the Directors' Report annexed thereto and circulated to the members be and are hereby adopted".

2. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. T. Sankaran be and is hereby reappointed as a Director of the company, liable to retire by rotation."

SPECIAL BUSINESS:

3. 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 Sri & Sri Associates, Chartered Accountants, as Auditors of the Company who have audited the accounts of the Company for the year 2006-07 at a remuneration of Rs.1,00,000/- plus out-of-pocket expenses be and is hereby ratified".

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

"RESOLVED THAT subject to the approval of shareholders of the Company and pursuant to SEBI (Delisting of Securities) Guidelines 2003, and subject to such other conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee appointed by the Board), the Equity Shares of the Company be delisted from the Stock Exchange, Ahmedabad, Bangalore Stock Exchange Ltd., The Calcutta Stock Exchange Association Limited, and The Delhi Stock Exchange Association Ltd."

(By Order of the Board)

Place: Chennai
Date : 28.09.2007

for KOTHARI INDUSTRIAL CORPORATION LIMITED
PRADIP D. KOTHARI
CHAIRMAN & MANAGING DIRECTOR

Kothari Industrial Corporation Limited

NOTE:

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 FORTYEIGHT HOURS BEFORE THE MEETING. A FORM OF PROXY IS ENCLOSED.

1. Unclaimed Dividend: Shareholders are hereby informed that all unpaid/unclaimed dividends for the years up to 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 Monday, the 18th September, 2006 to Thursday, the 21st September, 2006 (both days inclusive).

3. (a) Members are also hereby informed that the equity shares of the company are now available for dematerialisation/ rematerialisation under the Depository System.

(b) M/s. Integrated Enterprises (India) Limited, Chennai - 600 017 are the Registrars & Share Transfer Agents for dealing with electronic form of equity shares of the Company. The ISIN Code allotted to the Company is INE972A01012.

(c) 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.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to the provisions of Sec.173(2) of the Companies Act, 1956.

In respect of Item No.3:

At the 35th Annual General Meeting of the Company for the year 2004-05 held on 27th September, 2005, Messrs. Sri & Sri Associates, Chartered Accountants were appointed as 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, the 36th Annual General Meeting of the Company could not be held on the due date due to various reasons including substantial reduction in the establishment, shifting of the departments at the Corporate Office and the liquidity crunch. The Auditors, in view of their term of appointment, continued to function and discharge their duties as Statutory Auditors of the Company during 2006-07. The members are requested to ratify the appointment and payment of remuneration to the Statutory Auditors of the Company for the year 2006-07.

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

In respect of Item No.4:

Presently, the company's securities are listed on the following stock exchanges:

Madras Stock Exchange Limited, Chennai
The Stock Exchange, Mumbai
The Stock Exchange, Ahmedabad,



Bangalore Stock Exchange Ltd., Bangalore
The Calcutta Stock Exchange Association Ltd.,
Kolkatta and
The Delhi Stock Exchange Association Ltd,
New Delhi.

A reference is invited to the Special Resolution passed by the shareholders on 1.12.1999 for delisting the securities with The Stock Exchange, Ahmedabad; Bangalore Stock Exchange Ltd., Bangalore; The Calcutta Stock Exchange Association Limited, Kolkatta; and The Delhi Stock Exchange Association Ltd, New Delhi. The resolution could not be acted upon fully in view of the tough guidelines prescribed by the Stock Exchanges. In view of SEBI (Delisting of Securities) Guidelines 2003, we are once again recommending for delisting of shares from the above stock exchanges, retaining the listing with the Regional Stock Exchange viz., Madras Stock Exchange Limited and The Stock Exchange, Mumbai.

SEBI has announced new guidelines, i.e. SEBI (Delisting of Securities) Guidelines 2003, which provides for "the delisting of securities without exit opportunity to the investors". For this purpose, the shares of the company should continue to be listed either in National Stock Exchange of India Limited or The Stock Exchange, Mumbai, having nationwide trading terminals.

The proposed resolution seeks the approval for delisting the shares from The Stock Exchange, Ahmedabad; Bangalore Stock Exchange, Ltd., Bangalore; The Calcutta Stock Exchange Association Limited, Kolkatta; and The Delhi Stock Exchange Association Ltd, New Delhi; in accordance with SEBI regulations for voluntary delisting of company's securities by the company, approval of members is sought through a Special Resolution for delisting its securities from The Stock Exchange, Ahmedabad; Bangalore Stock Exchange, Ltd., Bangalore; The Calcutta Stock Exchange Association Limited, Kolkatta; and The Delhi Stock Exchange Association Ltd, New Delhi.

The Board recommends the special resolution for your approval.

Interest of Directors:

None of the Directors of the company is concerned or interested in this resolution except to the extent of the shares held by them.

Details of Mr. T. Sankaran, seeking re-appointment at this Annual General Meeting:

(in pursuance of Clause 49 of the Listing Agreement)

Date of Appointment : 06.07.2005

Mr. Sankaran has served in the managerial capacity discharging financial functions in certain other companies prior to joining this Company in the year 1990 and he is presently the General Manager (Finance) of the Company and also Director of the Company.

Qualification: B.Com, AICWA, BGL

Directorship held in other public companies:

Kothari (Madras) International Limited.
Glenworth Estate Limited
Adderley Estate Limited

Membership / Chairmanship of Committees of other public companies : None

Member of the following Committees of Kothari Industrial Corporation Limited:

- (i) Share Transfer
- (ii) Issue of Duplicate Share Certificate

Shareholding in the Company : Nil

Kothari Industrial Corporation Limited**REPORT OF THE DIRECTORS**

Your Directors present the Thirty-sixth Annual Report on the performance of the Company along with the Audited Balance Sheet and Profit and Loss Account for the financial year ended 31st March, 2006.

The financial results are as follows:

	(Rs. in/lacs)	
	2005-06	2004-05
Turnover/Income from Services	1917.83	2341.38
Profit/(Loss) before Interest and Depreciation	485.20	(9.89)
Interest and Finance Charges	71.24	107.11
Profit/(Loss) before Depreciation	413.96	(117.00)
Extra-ordinary items (net)	(187.92)	—
Depreciation	41.11	109.75
Profit/(Loss) before tax	184.93	(226.75)
Provision for Income-tax	—	—
Fringe Benefit Tax	4.50	—
Profit/(Loss) after tax	180.43	(226.75)
Balance Profit/(Loss) brought forward from the previous year	(3162.33)	(2935.58)
Balance Profit/(Loss) carried to Balance Sheet	(2981.90)	(3162.33)

In view of the huge brought forward losses of earlier years, your Directors are unable to recommend any dividend for this year.



FIXED ASSETS – TEA DIVISION :

In accordance with the resolution passed by the members of the company at the 35th Annual General Meeting held on 27th September, 2005, the company's tea estates known as Glendale and Adderley were transferred as a going concern together with all assets, rights, benefits and other moveable and immovable properties along with the liabilities and obligations related to the said estates to the company's wholly owned subsidiaries, namely M/s. Glenworth Estate Limited and Adderley Estate Limited respectively. The two subsidiary companies ceased to be subsidiaries on transfer of the company's investment thereon to a best buyer and the profit on sale of such investment amounting to Rs.726.80 lacs is included in the Profit & Loss Account. However, the legal transfer of the title to the plantation lands and buildings has not been effected in view of the objections raised by the financial institutions who hold pari-passu charge over the immovable property.

The performance of the Company during the year 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 year under review. However, the sale of NPK Mixtures, Trading in Pesticides and Straight Fertilizers continued restricted to Andhra and Karnataka. The turnover on account of NPK mixtures, Straight fertilizers and trading on pesticides resulted in a turnover of Rs. 1469.41 Lacs (Rs.1597.16 Lacs)

TEA :

Pursuant to the resolution of the shareholders, the Glendale and Adderley Estates were disposed of through the subsidiary route, the proceeds of which was utilized to meet the debenture redemption liability and other statutory dues.

KOTHARI COFFEE CURING WORKS :

The operations of the company's working under an arrangement was carried on by an interested purchaser. However, due to financial and labour problems, the Purchaser has suspended the

operations. The management is taking steps to sort out the issue.

GRANITE :

The Granite Division has not been in operation during the year.

FUTURE PROSPECTS :

The company's present reduced activities are limited to fertilizer mixing, trading in pesticides besides receiving rental income. The management is confident of restarting the manufacturing activities based on the restructuring exercise being undertaken and upon infusion of additional funds in the Fertiliser Division. The management is further negotiating with a financial institution for financial assistance to repay to banks and other lenders on One Time Settlement basis and for providing adequate working capital towards reviving the suspended operations of super phosphate and other fertilizers.

DIRECTORS :

Messrs. T. Sankaran, A.R. Krishnan and K. Santhanam were appointed as Directors at the 35th Annual General Meeting of the Company, liable to retire by rotation.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. T. Sankaran retires by rotation and is eligible for reappointment.

Mr. Pradip D. Kothari was appointed as the Managing Director of the Company without any remuneration.

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

Kothari Industrial Corporation Limited

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; and
- d) They have prepared the annual accounts on a going concern basis.

AUDITORS :

Messrs. Sri & Sri Associates, Chartered Accountants were appointed Auditors of the Company at the last Annual General Meeting to hold office from that meeting till the conclusion of the next Annual General Meeting. However, the 36th Annual General Meeting of the Company could not be held on the due date due to paucity of funds since the cost of printing, dispatch and holding the meeting costs considerably. In view of the terms of appointment, the Auditors continued to function and discharge their duties as Statutory Auditors of the Company during 2006-07. The members are requested to ratify the appointment and payment of remuneration.

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. Certain write offs included under extra ordinary expenses in the Profit and Loss account for the year are based on realistic approach of the developments.

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.

DEPOSITS :

The Company held Rs.74.31 Lacs as deposits from public and OCBs as on 31st March, 2006 out of which deposits aggregating to Rs.4.17 Lacs have matured, but remain unclaimed as on that date.

PARTICULARS OF EMPLOYEES :

None of the employees were in receipt of a monthly remuneration of Rs.2,00,000/-.

CHENNAI AGRO-TECH AND STONES LIMITED:

As the granite division was not transferred to the above subsidiary as originally envisaged, the shares in the subsidiary were retransferred to the original promoters of that Company. Consequently, the above Company ceased to be the subsidiary effective December, 2005.

CORPORATE GOVERNANCE :

The Company has not been able to appoint a Company Secretary due to inability to match the remuneration package vis-à-vis the size of the Company 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

Pradip D. Kothari

Chairman & Managing Director

Place: Chennai

Date : 28.09.2007



REPORT OF THE AUDITORS

To

The Members of
Kothari Industrial Corporation Limited

We have audited the attached Balance Sheet of M/s Kothari Industrial Corporation Ltd., Chennai - 600 034 as of 31st March, 2006, the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow statement for the year ended on that date. 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.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These 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 management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 and amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956. We enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the annexure referred to above, we state that:

- (i) The company has not made available the accounts, records, and provided adequate information and explanation relating to the Granite Division, which to the best of our knowledge and belief are necessary for the purpose of our audit.
- (ii) In our opinion, proper books of account as required by law have been maintained with the exception of Granite Division so far as appears from the examination of those books and non-availability of the Register under Section 301 of the Companies Act, 1956 for our audit.
- (iii) The Balance Sheet and Profit and Loss Account and the cash flow statement referred to in this report are in agreement with such books of account referred to in paragraph (ii) above.
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statements dealt with this report comply with the Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956 subject to specific qualifications contained in Para 5 and 6 on non-observance of accrual basis of accounting and impairment of assets.
- (v) In our opinion, the said accounts together with the accounting policies and notes in Schedule 17b give the information required under the Companies Act, 1956 in the manner required.
4. In view of the Company not having paid the loans to financial institutions and banks and not repaid certain matured fixed deposits for a period exceeding three years, we report that all the Directors are disqualified as on 31st March, 2006 from being appointed as Directors in any other public limited company in terms of Sec.274(1)(g) of the Companies Act, 1956. The company has been advised by the counsel that there is no bar for the

Kothari Industrial Corporation Limited

existing Directors of the company from being reappointed as Directors in the same company.

5. Attention is invited to:

- (i) (Note No.5(ii) relating to non-provision for disputed sales tax demands aggregating to Rs.903.09 lacs.
- (ii) Non-provision for power tariff consequent to withdrawal of concessional power tariff relating to earlier years Rs. 328.73 lacs (Note - 5 (iii)).
- (iii) Non-provision for potential liability for unfulfilled export obligation pertaining to textile division amounting to Rs.84.07 lacs (Note 5(vi)).
- (iv) Non-incorporation of the transactions of the Granite Division during the year (Note 8).
- (v) The company has yet to give effect to the order of the City Civil Court, Chennai regarding refund of share monies (Note 2(v) and 2(vi)).
- (vi) The company has not given effect to the consent decree filed with the Supreme Court regarding disputed share allotment (Note 2(vii)).
- (vii) 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.
- (viii) The suspension of construction activities at Brewery Project in Andhra Pradesh.
- (ix) Legal possession of certain plantation lands acquired is overdue and yet to be registered by the Company (Schedule 5 Note 2).

(x) 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.

- (xi) Non-provision of interest on certain unsecured advances.
- (xii) The company has not constituted an Audit Committee during the year.
- (xiii) Advances of Rs.98.37 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 recognized in full in the accounts and whether amount of Rs.98.37 lacs shown as due from Gratuity Fund is recoverable in the absence of the accounts of the fund which have not been made available.

6.(i) The company has not complied with most of the requirements of Clause 49 of SEBI regulations and the Companies Act, 1956 in regard to the timely preparation and publication of the quarterly / final accounts.

(ii) The Fertiliser Factory at Ennore has not been in operation since 2001. The physical existence and present condition of the Plant and Machinery of the fertilizer factory and at the Granite Factory which are in the proximity to the sea has not been ascertained to assess the impairment in their condition.

(iii) The incomplete factory building meant for brewery in Andhra Pradesh has remained as such for the last few years and diminution/impairment in its carrying value has not been quantified and adjusted in the account.