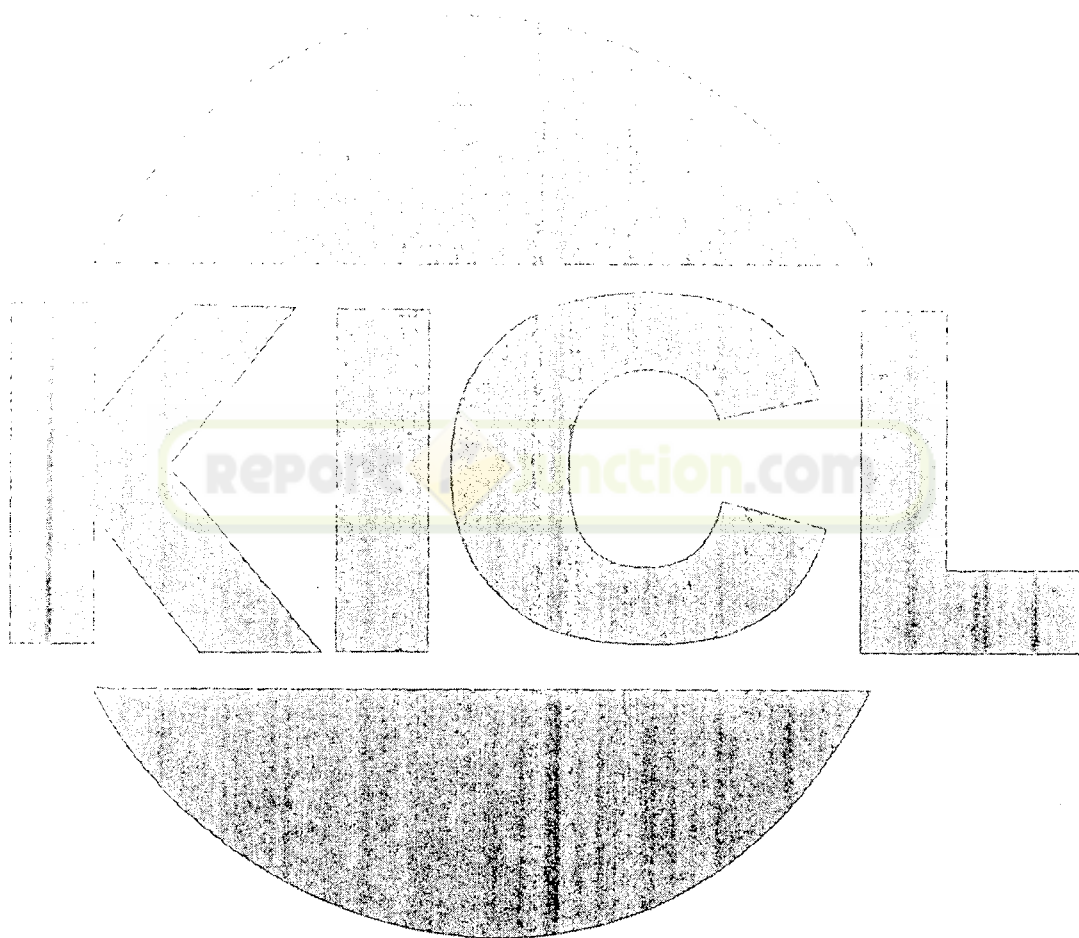


38th ANNUAL REPORT 2007-08



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. Chetan Vijay Pagariya
(w.e.f. 20.08.2008)

Mr. Mukesh Lalwani
(w.e.f. 20.08.2008)

COMPANY SECRETARY

Mr. G. Mohan Das

AUDITORS

M/s. B.B. NAIDU & CO
Chartered Accountants
Chennai

REGISTERED OFFICE:

"Kothari Buildings"
114, Mahatma Gandhi Salai
Chennai – 600034



KOTHARI INDUSTRIAL CORPORATION LIMITED

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

NOTICE TO MEMBERS

NOTICE is hereby given that the 38th Annual General Meeting of the Company will be held as scheduled below :

Day & Date : Wednesday,
the 24th September, 2008

Time : 10.30 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, 2008 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".

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".

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

"RESOLVED that Messrs B.B.Naidu & Co., Chartered Accountants, Chennai, the retiring Auditors be and are hereby reappointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the company in addition to all traveling and out of pocket expenses and service tax."

SPECIAL BUSINESS

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

"RESOLVED THAT Mr.Chetan Vijay Pagariya be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Mr. Mukesh Lalwani be and is hereby appointed as a Director of the Company, liable to retire by rotation."

(By Order of the Board)

for KOTHARI INDUSTRIAL CORPORATION LIMITED

G. MOHAN DAS
COMPANY SECRETARY

Place: Chennai
Date : 20.08.2008

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF / HERSELF 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 TIME OF THE MEETING. A FORM OF PROXY IS ENCLOSED.

Note:

1. The Register of Members and the Transfer Books of the company will remain closed from 2nd September, 2008 to 5th September, 2008 (both days inclusive).
- 2 (a) Members are also hereby informed that the equity shares of the company are available for dematerialisation/ rematerialisation under

Kothari Industrial Corporation Limited

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.

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 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:

ORDINARY BUSINESS:

In respect of Item No.2:

Mr. T. Sankaran was appointed as Director of the company at the 36th AGM held on 26.4.2008. His reappointment as Director would be beneficial to the company.

Mr. T. Sankaran will not be paid any remuneration.

Brief particulars of Mr. T.Sankaran are given in the Annexure.

The Board of Directors commend the Ordinary Resolution for approval of the members.

None of the Directors of the Company except Mr.T.Sankaran is interested in the proposed resolution.

SPECIAL BUSINESS:

In respect of Item 4:

Mr.Chetan Vijay Pagariya was appointed as Additional Director on 20.8.2008. Pursuant to Sec.260 of the Companies Act, 1956, Mr.Chetan Vijay Pagariya holds office upto the date of the

forthcoming Annual General Meeting. A notice under Sec. 257 of the Companies Act, 1956 has been received from a Member, informing his intention to propose the appointment of Mr.Chetan Vijay Pagariya as a Director of the Company. The Board of Directors recommend his appointment.

Brief particulars of Mr.Chetan Vijay Pagariya is given in the Annexure.

None of the Directors, except Mr.Chetan Vijay Pagariya is concerned or interested in this resolution.

In respect of Item 5:

Mr.Mukesh Lalwani was appointed as Additional Director on 20.8.2008. Pursuant to Sec.260 of the Companies Act, 1956, Mr.Mukesh Lalwani holds office upto the date of the forthcoming Annual General Meeting. A notice under Sec. 257 of the Companies Act, 1956 has been received from a Member, informing his intention to propose the appointment of Mr.Mukesh Lalwani as a Director of the Company. The Board of Directors recommend his appointment.

Brief particulars of Mr.Mukesh Lalwani is given in the Annexure.

None of the Directors, except Mr.Mukesh Lalwani is concerned or interested in this resolution.

(By Order of the Board)

for KOTHARI INDUSTRIAL CORPORATION LIMITED
G. MOHAN DAS
COMPANY SECRETARY

Place: Chennai
Date : 20.08.2008

**PARTICULARS OF THE DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT IN THE
FORTHCOMING ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49
OF THE LISTING AGREEMENT:**

Paticulars	Mr.T.Sankaran	Mr.Chetan Vijay Pagaria	Mr.Mukesh Lalwani
Date of birth & Age	30.04.1959 (49)	26-06-1981 (27)	26.08.1984 (24)
Date of Appointment	06.07.2005	20.08.2008	20.08.2008
Qualifications	B.Com. AICWA, & BGL	B.Com. GDC&A & ACA	M.Com, B.Com (Hons.), & ACA
Experience	He has been in the company since 1990 and is presently The General Manager (Finance) and also Director of the Company	Two years in Project and taxation field	Two years in Project Financing and Taxation Advisory
Directorships in other companies	Kothari (Madras) International Limited (upto 31.12.2007) Glenworth Estate Ltd. Adderly Estate Ltd.	Nil	Nil
Membership/Chairman In other companies	Nil	Nil	Nil
Committee Membership in Kothari Indl. Corp.Ltd.	Share Transfer Committee	Nil	Nil
Shareholding in Kothari Indl. Corp. Ltd.	Nil	Nil	Nil



REPORT OF THE DIRECTORS

Your Directors present herewith the Thirtieth 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, 2008.

The Financial Results are as follows:

	2007 - 08	2006 - 07
	(Rs.in Lacs)	
Turnover/Income from Services	<u>2096.42</u>	<u>1754.39</u>
Profit/(Loss) before Interest and Depreciation	290.06	(106.79)
Interest and Finance Charges	1.66	1.89
Profit/(Loss) before Depreciation	288.40	(108.68)
Exceptional items (net)	326.61	(1407.67)
Depreciation	17.83	21.64
Profit/(Loss) before tax	(56.04)	(1537.99)
Fringe Benefit tax	2.98	6.40
Taxation provision of earlier years no longer required	108.52	-
Profit / (Loss) after tax	49.50	(1544.39)
Balance Profit / (Loss) brought forward from the previous year	(4526.29)	(2981.90)
Balance Profit / (Loss) carried to Balance Sheet	(4476.79)	(4526.29)

In view of inadequate profit for the year and losses of the previous years, the Directors do not recommend any dividend for the year.

OPERATIONS:

The Turnover of NPK mixtures, Straight fertilizers and trading on pesticides was Rs. 1694.79 (Rs.1577.23 lacs)

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 with infusion of additional funds in the Fertiliser Division. The management is further negotiating with the 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:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. T. Sankaran, Director retires at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Mr.Chetan Vijay Pagariya and Mr.Mukesh Lalwani were co-opted as Additional Directors with effect from 20.8.2008 and they retire at the ensuing Annual General Meeting. It is proposed to appoint them as Directors at the ensuing Annual General Meeting.

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.

AUDITORS' REPORT:

With regard to the remarks in the Auditors' Report, the relevant financial notes are self explanatory.

Kothari Industrial Corporation Limited

AUDITORS

The Auditors, M/s B.B.Naidu & Co, Chartered Accountants, Chennai, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed. A certificate under Sec.224(1B) of the Companies Act, 1956 has been received from them.

DEPOSITS:

The Company held Rs.9.17 Lacs as deposits from public as on 31st March, 2008, out of which deposits aggregating to Rs.4.17 lacs remain unclaimed as on that date.

PARTICULARS OF EMPLOYEES:

There is no employee, particulars of whom are to be furnished under Sec.217(2A) of the Companies Act, 1956

CORPORATE GOVERNANCE:

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 help of the financial institutions, government authorities, banks and employees. The cooperation and the forbearance of the members are gratefully acknowledged.

Place : Chennai
Date : 20.08.2008

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On behalf of the Board of Directors
Pradip D. Kothari
Chairman & Managing Director



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, 2008, 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) In our opinion, proper books of account as required by law have been maintained so far as appears from the examination of those books

(ii) 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 (i) above.

(iii) 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.

In our opinion, the said accounts together with the accounting policies and notes in Schedule 15 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 two Directors are disqualified as on 31st March, 2008 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 existing Directors of the company from being reappointed as Directors in the same company
5. Attention is invited to:
 - (i) Note No.4(ii) relating to non-provision for disputed sales tax demands aggregating to Rs.876.89 lacs.
 - (ii) Non-provision for power tariff consequent to withdrawal of concessional power tariff relating to earlier years Rs. 328.73 lacs. (Note 4 (iii))
 - (iii) 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))
 - (iv) The company has not given effect to the consent decree filed with the Supreme Court regarding disputed share allotment (Note 2(vii))

Kothari Industrial Corporation Limited

- (v) 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.
- (vi) 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.
6. The company has not complied with most of the requirements of Clause 49 of SEBI regulations and the Companies Act, 1956 including the timely preparation and publication of the quarterly / final results and constitution of various statutory committees.
7. We are unable to express any opinion on :
- (i) the quantum of liability relating to items (i), (ii) and (iii) in paragraph (5)
 - (ii) the effect of impact of significant matters mentioned in paragraph (5) (iv), (v) and (vi). the quantum thereof not having been quantified or estimated by the company
8. Subject to our observations in paragraphs 5, 6 and 7 above and the consequential effect on the assets and liabilities and the loss we report that:
- (a) the Balance Sheet gives a true and fair view of the state of the company's affairs as at 31st March, 2008
 - (b) the Profit & Loss Accounts gives true and fair view of the loss for the year.
 - (c) In the case of the Cash flow statement for the year ended 31st March, 2008, the cash flows for the year ended on that date.
9. The company has not submitted to us the Corporate Governance Report and Management discussion and Analysis Report for the year.

For B.B.NAIDU & CO.
Chartered Accountants

B.SURENDER
Partner
Membership No. 6020

Place: Chennai
Date : 20.8.2008



ANNEXURE REFERRED TO IN OUR REPORT
OF EVEN DATE ON THE ACCOUNTS FOR
THE PERIOD ENDED 31.03.2008

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation fixed assets.

(b) All the fixed assets have been physically verified by the Management during the year,.

2. (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed during physical verification between the physical stocks and the book records were not material.

- 3 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods.

4. Based on the The Register maintained under Section 301 of the Company Act. transactions exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

5. In our opinion and according to the information and explanations given to us, the company **has not complied with the provisions of sections 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975** with regard to the deposits accepted from the public in prior years and matured deposits of Rs.4.17 lacs which remain unclaimed.

6. Although the company had no formal internal audit, there has been reasonable internal control which in the opinion of the management is commensurate with the size and nature of business. However, the company has since appointed an external firm of Chartered Accountants to carry out internal audit in the coming year.

7. The maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 does not apply to any of the products of the company.

8. (a) According to the records of the Company, the company, due to paucity of funds, **has not fully deposited/regularly deposited with appropriate authorities undisputed statutory dues, including Provident Fund, Profession Tax and Income Tax. (since remitted)**

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, sales-tax, customs duty and excise duty were outstanding as at 31.3.2008 for a period of more than six months from the date they became payable.

(c) According to the records of the company, there are dues of Sales tax, income-tax, customs duty/wealth-tax, excise duty/cess which have not been deposited on account of disputes with statutory authorities, the details of which are given below :