

39th ANNUAL REPORT 2008-09



KOTHARI INDUSTRIAL CORPORATION LIMITED

Kothari Industrial Corporation Limited



BOARD OF DIRECTORS

Mr. Pradip D. Kothari
Chairman & Managing Director

Mr. T. Sankaran
(upto 13.08.2009)

Mr. K. Santhanam

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

Mr. Mukesh Lalwani
(w.e.f. 20.08.2008)
(upto 10.01.2009)

Dr. Easo John
(w.e.f. 13.08.2009)

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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 39th Annual General Meeting of the Company will be held as scheduled below :

Day & Date : Monday,
the 14th December, 2009

Time : 3.30 p.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, 2009 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.K.Santhanam who retires at the ensuing Annual General Meeting 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 travelling and other out of pocket expenses."

SPECIAL BUSINESS

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

"RESOLVED THAT Dr. Easo John 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 Special Resolution:

"RESOLVED THAT consent of the members of the Company be and is hereby accorded to the company for rescinding of issue of 1,24,83,885 Equity Shares of Rs.5/- each on Rights basis to the existing members of the company in the ratio of one equity share of Rs.5/- each for every fully paid up equity share of R.5/- each held by such members, as approved by the Members of the company at the Extra-Ordinary General Meeting held on 12th February, 2009."

6. To consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT PURSUANT TO THE PROVISIONS OF Section 81(1A) and all other applicable provisions, if any, of the Companies Act 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and in accordance with the enabling provisions of the Memorandum and Articles of Association of the Company, the Rules/ Regulations/Guidelines, if any, prescribed by the Securities and Exchange Board of India and/or any other regulatory authority, the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the approval(s), consent(s), permission(s)and/or sanction(s), if any of the appropriate authorities, institutions or bodies as may be required and subject to such conditions as may be prescribed by any of them while granting any such approval(s), consent(s), permission(s)and/or sanction(s), and which may be agreed to by the Board of Directors of the Company (herein after called "the Board", which term shall be



deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers, including the powers conferred by this resolution), and upon the Hon'ble High Court of Judicature at Madras, approving the reduction in the Paid-up Face Value of equity shares from Rs.10/- per Equity Share to Rs.5/- per Equity Share, in respect of which the application is pending before the Hon'ble High Court, the Board be and is hereby authorized on behalf of the Company to offer, issue and allot equity shares of Rs.5/- each (hereinafter referred to as the "Securities"), to the promoter / promoter group/Associates, whether or not they are Members of the Company, under a preferential issue through offer letter and/or circular and/or information memorandum and/or private placement memorandum and/or such other documents / writings, in such manner and on such terms and conditions as may be determined by the Board in its absolute discretion; provided that the aggregate number of resultant equity shares of the Company to be issued shall not exceed 75,26,725 fully paid equity shares of the face value of Rs.5/- each, aggregating to Rs.3,76,33,625/- (Rupees Three Crores seventysix lakhs thirtythree thousand six hundred and twentyfive only).

RESOLVED FURTHER that the resultant equity shares to be issued and allotted in terms of this resolution shall rank pari passu in all respects with the existing equity shares of the Company and be listed on stock exchanges where the equity shares of the Company are listed.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized on behalf of the Company to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient for the issue or allotment of aforesaid Securities and listing thereof with the stock exchange(s) as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of the Securities, utilisation of the issue proceeds and to do all the acts, deeds, matters and things in connection therewith and incidental thereto as the Board, in its absolute discretion, may deem necessary, expedient, proper or desirable and to settle all questions, difficulties or doubts that may arise in this regard at any stage without requiring the Board to seek any further consent or approval of the Members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any other Director(s) or executive(s) / officer(s) of the Company to do all such acts, deeds, matters and things as also execute such documents, writings, etc. as may be necessary to give effect to the aforesaid resolution".

(By Order of the Board)

for KOTHARI INDUSTRIAL CORPORATION LIMITED

Place: Chennai
Date : 22.10.2009

G. MOHAN DAS
COMPANY SECRETARY

AMEMBER 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 December, 2009 to 4th December, 2009 (both days inclusive).
- 2 (a) Members are also hereby informed that the equity shares of the company are 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

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.

Kothari Industrial Corporation Limited

ANNEXURE TO THE NOTICE

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

SPECIAL BUSINESS:

In respect of Item 4:

Dr.Easo John was appointed as Additional Director on 13.8.2009. Pursuant to Section 260 of the Companies Act, 1956, Dr.Easo John holds office up to the date of 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 Dr.Easo John as a Director of the Company. Dr.Easo John is a Post Graduate in Economics and also has studied MBA besides Ph.D. He has served as faculty in many educational institutions like IIM-A, besides his service in Government as well as multi national companies and public and private sector undertakings.

Brief particulars of Dr.Easo John are given in the Annexure.

The Board of Directors recommend the appointment.

None of the Directors except Dr.Easo John is concerned or interested in the proposed ordinary resolution.

In respect of Item No.5

The Company had sought the members approval at the Extra-Ordinary General Meeting held on 12.2.2009, for issue of 1,24,83,885 equity shares of Rs.5/- each to the existing shareholders in the ratio of one equity share for every one equity share of Rs.5/- held.

The Company has made an application to the Hon'ble High Court of Judicature at Madras for the reduction of the Paid Up Face Value of Equity Shares from Rs.10/- per Equity Share to Rs.5/- per Equity Share and it is expected that it would take a couple of months before the Order is pronounced.

The company is in urgent need of funds for restart of its manufacturing operations at its fertilizer factory at Ennore, near Chennai and working capital needs thereof. In view of this, it has been proposed to go in for issue of preferential shares for which the company has identified potential investors who along with the promoter and his associates will subscribe for the issue of equity shares of Rs.5/- each at par upon the High Court approving the reduction of Share Capital

In view of the cost and delay, it has been decided by the Board of Directors not to proceed with the issue of equity shares on rights basis to the shareholders of the company.

In respect of Item No.6

The company is in the process of revamping the plant and machinery of fertilizer factory located at Ennore, near Chennai. It is expected that barring unforeseen reasons, the company would be in a position to restart its manufacturing operations before the close of the calendar year.

Moreover, for the continuous running of the plant at Ennore, the company is in need of working capital. As mentioned in the Explanatory Statement in respect of Item No.5 above, the process of raising money through rights issue would take a longer time and hence, it has been decided by the Board of Directors of the Company to go in for issue of equity shares of Rs.5/- each on a preferential basis to the promoter(s), his associates and certain other investors.

Accordingly, it is proposed to issue and allot 75,26,725 equity shares of Rs.5/- each, aggregating to Rs. 3,76,33,625/- (Rupees Three Crores seventysix lakhs thirtythree thousand six hundred and twentyfive only) to promoter(s) and other investors in accordance with the Guidelines for Preferential Issues contained in Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as the "Preferential Issue Guidelines"), including any statutory modification(s), or reenactment thereof for the time being in force and subject to the reduction of the Paid Up Value of equity shares from Rs.10/- per Equity Share to Rs.5/- Equity Share being approved by the Hon'ble High Court of Judicature at Madras.

Excepting Mr.Pradip D. Kothari, none of the other Directors are interested in regard to this resolution.



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

Name of Director	Mr.K.Santhanam	Dr.Easo John
Date of birth & Age	19.01.1949 (60)	05.03.1925 (84)
Date of Appointment	06.07.2005	13.08.2009
Qualifications	M. Com.	Master of Arts
Expertise	Marketing	Corporate Management
Directorships in other companies	Chennai Machines Pvt. Ltd.,	Nil
Membership/Chairman in other companies	Nil	Nil
Committee Membership in	Nil	Nil
Shareholding in Kothari Indl. Corp. Ltd.	Nil	Nil

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Other disclosures in terms of Clause 13.1A of the Preferential Issue Guidelines:

- (i) The object(s) of the issue through preferential offer: to augment long term resources to fund the growth plans of the Company as mentioned above.
- (ii) Intention of Promoters/Key Management persons to subscribe to the Offer: The preferential issue of shares with a right to subscribe to equity shares would be made to the promoter(s) of the Company, viz.promoters/associates or any other entity / person(s)
- (iii) Shreholding pattern before and after the Preferential Issue

Shareholders	Pre-issue shareholding		Post-issue share-Holding	
	No. of shares	%	No. of shares	%
A: Promoters Group :	6945624	29.48	9145624	25.97
B: Non-Promoters Group :	8673428	55.53	14000153	60.49
Total Capital (A+B)	15619052	85.01	23145777	86.46

- (iv) Proposed time within which the allotment shall be completed: The allotment of the shares would be completed within the time prescribed under the Preferential Issue Guidelines.

(By Order of the Board)

for KOTHARI INDUSTRIAL CORPORATION LIMITED

Place: Chennai

G. MOHAN DAS

Date : 22.10.2009

COMPANY SECRETARY



REPORT OF THE DIRECTORS

Your Directors present herewith the ThirtyNinth 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, 2009.

The Financial Results are as follows:

	2008 - 09	2007 - 08
	(Rs.in Lacs)	
Turnover/Income from Services	<u>2972.06</u>	<u>2096.42</u>
Profit before Interest and Depreciation	438.48	290.06
Interest and Finance Charges	5.06	1.66
Profit before Depreciation	433.43	288.40
Exceptional items (net)	(81.21)	(326.61)
Depreciation	(14.71)	(17.83)
Profit/(Loss) before tax	337.51	(56.04)
Provision for deferred tax (net)	989.77	--
Fringe Benefit tax	3.43	2.98
Taxation provision of earlier years no longer required	--	108.52
Profit after tax	1323.85	49.50
Balance Profit / (Loss) brought forward from the previous year	(4476.79)	(4526.29)
Balance Profit / (Loss) carried to Balance Sheet	(3152.94)	(4476.79)

In view of the accumulated losses of the earlier years, the Directors are unable to recommend any dividend for the year ended 31st March, 2009.

OPERATIONS:

The Turnover of NPK mixtures, Straight fertilizers and trading in pesticides was Rs. 2400.26 Lakhs as compared to Rs.1694.79 Lakhs in the previous year.

FUTURE PROSPECTS:

Presently, the company's activities are limited to fertiliser mixing, trading in pesticides besides receiving rental income. The company is taking steps to restart the manufacturing activity at its fertiliser's factory at Ennore and all the machineries have been overhauled. It is expected that commercial

production would commence by the close of the calendar year. Further, the Company is in the process of laying a dedicated railway siding to move fertilizers across Southern States

With regard to working capital requirements for the Fertiliser manufacturing operations, the company is contemplating for issue of shares at par to promoters, promoter's group and others on preferential basis, subject to the approval of shareholders at the ensuing AGM.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. K. Santhanam, Director retires at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Dr.Easo John was co-opted as Additional Director with effect from 13.8.2009 and retires at the ensuing Annual General Meeting. It is proposed to appoint him as a Director at the ensuing Annual General Meeting for which necessary notice from a shareholder under Section 257 of the Companies Act, 1956 has been received.

Mr.Mukesh Lalwani and Mr.T.Sankaran resigned from the Directorship of the Company with effect from the closing hours of 12.01.2009 & 13.08.2009 respectively. The Board places on record its appreciation of the services of Mr.Mukesh Lalwani and Mr.T.Sankaran during their tenure as Directors of the Company.

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; and

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

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.

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

DEPOSITS:

The Company held Rs.8.67 Lacs as deposits from public as on 31st March, 2009, out of which deposits aggregating to Rs.4.17 lacs remain unclaimed as on that date.(since remitted to Investors Protection Fund - Rs.4.17 lacs).

PARTICULARS OF EMPLOYEES:

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

RESEARCH & DEVELOPMENT EXPENSES:

With the proposed restarting of the Fertiliser factory at Ennore, the company proposes to spend appropriate amount in Inhouse R & D efforts

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 : 22.10.2009

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, 2009, 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 .

(iv) In our opinion, the said accounts together with the accounting policies and notes on accounts give the information required under the Companies Act, 1956 in the manner required.

4. On the basis of written representations received from the Directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause(g) of sub-section(1) of Section 274 of the Companies Act, 1956.

5. Subject to our observations in paragraphs 4 above, we report that:

(i) the Balance Sheet gives a true and fair view of the state of the company's affairs as at 31st March, 2009

(ii) the Profit & Loss Accounts gives true and fair view of the profit for the year.

(iii) In the case of the Cash flow statement for the year ended 31st March, 2009, the cash flows for the year ended on that date.

For B.B.NAIDU & CO.
Chartered Accountants

B.SURENDER
Partner

Place: Chennai
Date : 22.10.2009

Membership No. 6020