

CORPORATE INFORMATION

Board of Directors	: B.H.Kothari - Chairman & Managing Director G.Narayanaswamy P.N.Devarajan P.K.Rudra N.Chandramouli P.S.Balasubramaniam
Company Secretary	: S.Sundaramurthy
Statutory Auditors	: R.Subramanian and Company Chartered Accountants, No.6, Krishnaswamy Avenue, Luz, Mylapore, Chennai - 600 004
Internal Auditors	: K.R.Sarangapani and Co. Chartered Accountants, Chennai - 600 083
Legal Advisors	: S.Ramasubramaniam and Associates Advocates, Chennai - 600 004
Registered Office	: “Kothari Buildings” 115, Mahatma Gandhi Salai Nungambakkam, Chennai - 600 034 Phone No.044 -30225616 / 30225507 Fax No.044 -28334560
Registrar & Share Transfer Agent	: Cameo Corporate Services Limited Subramanian Building, 5 th Floor No.1, Club House Road Chennai - 600 002 Phone No. 044 - 28460390 to 28460394 Fax No.044 - 28460129 e-mail: investor@cameoindia.com
Listing	: The National Stock Exchange of India Limited (NSE), Mumbai
Stock Code	: KOTHARIPET ISIN No.INE720A01015

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NOTICE TO THE MEMBERS



Notice is hereby given that the 21st Annual General Meeting of Kothari Petrochemicals Limited will be held on Wednesday, September 22, 2010 at 10.30 A.M. at The Music Academy, Mini Hall, Old No.306, New No.168, T.T.K. Road, Chennai - 600 014 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited statement of Accounts for the year ended March 31, 2010 and to consider the reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.G.Narayanaswamy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Mr.P.S.Balasubramaniam, who retires by rotation and being eligible offers himself for re-appointment.
4. Appointment of Auditors

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

"Resolved that subject to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. R. Subramanian and Company, Chartered Accountants, Chennai, the retiring Auditors be and are hereby appointed as Auditors of the Company, to hold Office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board".

By Order of the Board
for **Kothari Petrochemicals Limited**

Place: Chennai
Date : August 12, 2010

S Sundaramurthy
Company Secretary

Notes

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY SHALL NOT BE ENTITLED TO VOTE EXCEPT ON A POLL. PROXIES SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT ANY TIME NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.**
2. A member or proxy should fill the enclosed attendance slip and deposit the same at the entrance of the meeting hall.
3. All correspondence concerning change of address, transfer of shares etc. may be made to the Registrars and Share Transfer Agents, M/s. Cameo Corporate Services Limited.
4. Share Transfer books and Register of Members will remain closed from Tuesday, 14.09.2010 to Wednesday, 22.09.2010 (both days inclusive).
5. Shareholders are requested to bring copies of their Annual Reports, as no additional copies will be provided.
6. Members who are still holding shares in physical form are advised to dematerialize their shareholding to avail of the benefits of de-materialization which include easy liquidity since trading is permitted only in dematerialized form, electronic transfer, savings in stamp duty, prevention of forgery, etc.

THE INFORMATION IN RESPECT OF ITEM NO.2 & 3 IN ACCORDANCE WITH CLAUSE 49(IV)(G) OF THE LISTING AGREEMENT FOR CORPORATE GOVERNANCE ABOUT DIRECTORS SEEKING RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING ARE FURNISHED HEREUNDER

Particulars	Item No.2	Item No. 3
Name of the Director	Mr.G.Narayanaswamy	Mr.P.S.Balasubramaniam
Date of Birth	April 27, 1928	July 12, 1944
Date of Appointment	October 26, 2005	September 26, 2003
Qualification	Bachelor of Science (B.Sc.,) Fellow of Institute of Chartered Accounts of India (F.C.A.)	Graduate in Commerce (B.Com.) Member of Institute of Chartered Accounts of India (A.C.A.) Member of Institute of Company Secretaries of India (A.C.S.)
Experience in specific functional areas	He has experience of more than 5 decades in the Accounting and Auditing profession. He is a senior partner of M/s.Venkatraman & Co. Chartered Accountants, Chennai.	He has over 42 years of experience at Middle and Senior Management levels in the Financial Services Sector. He was the Managing Director of Investment Trust of India Ltd., President of Federation of Indian Hire Purchase Association, Chairman of Equipment Leasing Association of India and Vice President of Asian Leasing Association, representing India."
List of other Companies in which Directorship held	1. Southern Electronics Bangalore Private Limited 2. Watanmal India Private Limited 3. Integral System & Component Pvt. Ltd.	1. Kothari Safe Deposits Ltd. 2. Kothari Biotech Ltd. 3. Kothari International Trading Ltd. 4. Mahaveer Finance India Ltd. 5. Finance Companies Association (India) 6. HCK Capital Services Pvt. Ltd.
Chairman / Member of the Committee of the Board of Director of the Company	Audit Committee - Chairman	1.Share Transfer cum Shareholder Grievances Committee - Chairman 2.Investment and Credit Approval Committee – Member
Chairman / Member of the Committee of the other companies in which he is a Director	Southern Electronics Bangalore Private Limited - Chairman	Kothari Safe Deposits Limited, 1.Share Transfer Committee - Member 2.Investment Committee - Member
Number of Shares held in the Company (both own or held by/for other persons on a beneficial basis) as on March 31, 2010	NIL	1000 Shares

By Order of the Board
for **Kothari Petrochemicals Limited**

Place: Chennai
Date : August 12, 2010

S Sundaramurthy
Company Secretary

To the Members,

The Directors present the 21st Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2010.

The performance highlights of the Company for the year are summarized below.

1. Financial Performance

(Rs. in Lakhs)

Particulars	2009-10	2008-09
PBIDT	921.25	434.42
Interest	30.50	36.69
Profit after Interest	890.75	397.73
Depreciation & Goodwill	278.68	276.60
Profit after Depreciation & Goodwill	612.07	121.13
Fringe Benefit Tax & Provision for Taxation	237.11	18.48
Profit After Tax (PAT)	374.95	102.65

2. Performance for the financial year 2009-10

The Company has achieved a turnover of Rs.12,179.90 Lakhs for the year ended March 31, 2010 as against Rs.13,984.79 Lakhs for the previous year. The reduction in turnover is on account of intense competition and also lesser realisation. However, the profitability has improved due to reduction in input costs and efficient operations. The Company has achieved Export House status during the current year.

The plant adheres to excellent safety norms and conducts periodical safety & technical audits, training programme on chemical and safety exercises. The entire plant area is covered with green belt and additional efforts for improving the same will continue in the coming years.

Your plant has been operating with both Quality Management System (ISO 9001:2000) and Environmental Management System (ISO 14001: 2004) after a recertification audit was conducted by M/s. Det Naorske Veritas, Germany.

3. Dividend

The Directors do not recommend a dividend for this year, in view of the carried forward accumulated losses.

4. Disclosure under Section 217(2A) and 217(1)(e) of the Companies Act, 1956

As required under the provision of sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, particulars of employees are required to be set out in the annexure to the Directors' Report. However, as per provision of

Section 219(1)(b)(iv) of the Companies Act, 1956, the report and the Accounts are being sent to all the shareholders excluding the aforesaid information. Any shareholder desirous of obtaining the same may write to the Company Secretary.

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is furnished in 'Annexure I'

5. Public Deposit

The Company has not accepted any Public Deposit during the year and there was no outstanding deposit anytime during the year.

6. Directors

Mr.G.Narayanaswamy & Mr.P.S.Balasubramaniam, Directors, retire by rotation and being eligible offer themselves for re-appointment.

7. Directors' Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards had been followed and there are no material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgment 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;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv. that the directors had prepared the annual accounts on a going concern basis.

8. Management Discussion and Analysis

Kothari Petrochemicals Limited (KPL) is still retaining the status of the largest Polyisobutene (PIB) manufacturer in India with an installed capacity of 22,000 TPA. Our product has been well recognized in the international market with respect to quality and has been getting fresh enquires / orders from new customer segments.

Industry Structure & Development:

Using Iso Butylen rich LPG, Kothari Petrochemicals Limited (KPL) manufactures PIB of various grades to meet the customers specific demand like Rubber, Plastic and Lube oil additives. KPL is also in the process of exploring new grades.

Outlook:

PIB is mainly consumed in lubricants and additives, which cater to the automotive industry. After a 15 month period of recessionary trend, there was a sign of improvement of PIB demand from overseas / domestic market during 2009-10.

However as a precautionary measure, unlike during the pre recession period, most of the customers are hesitant to build up the stock of PIB. This trend is expected to continue for one more year and in turn the export sale may not have a significant growth in 2010-2011.

Opportunities:

Despite low demand for low molecular weight PIB from automobile and construction industries, KPL could manage to identify new applications with higher molecular weight PIB and started selling good volume in export market. To meet this demand KPL has continuously been on the path to improve the product quality by introducing advanced quality improvement processes at various levels.

As a customer-oriented strategy, KPL has a customer / market specific inventory approach which lends enormous supply security to its customers. Supply Security, International Quality and Impeccable Service have become the core competitive strengths of KPL.

Threats:

Currently our Company holds a market share of 70% of the PIB requirement for 2T oil sector. However, in view of the decreasing demand for 2T oil in domestic market, major oil companies apprehend a steep fall in the sale of 2T oil during 2010-11 which is likely to affect our company's sales too.

Global majors like Texas Petro Chem, USA, Daelim, Korea and Poly Butanos, Brazil have completed their expansions and put the additional quantity in the market which has created a awareness of availability of surplus quantity in the market at a very competitive price among the unorganized customers/ traders. Further these competitors and most other international PIB manufacturers have either captive source of feedstock or an adjunct refinery supplying feedstock through pipeline. This gives them a tremendous cost advantage since feedstock constitutes a major portion of the cost of production.

The currency value fluctuation also played a key role for the loss of lot of opportunity for sales in year 2009-2010 and it still continues.

Absence of clear Government policies to protect the exporters from the currency fluctuation is also a worrying factor.

Risk & Concerns:

In view of the huge swing in the prices of international crude oil, the raw materials suppliers themselves are unable to quote the prices sufficiently in advance and this has put KPL in a clueless situation to predict the movement of Raw Material Price.

To reduce the higher dependency on a few raw material suppliers, KPL is continuously striving to identify alternate sources for raw material.

The global competitors, mainly from Korea, have extended open credit to their customers in a big way to capture the market to sell the additional volume out of expansion. This has compelled KPL to extend additional credit to customers like Infineum, Soltex etc.

To mitigate the financial risks in global business, KPL as a strategy has covered its exports under a comprehensive ECGC policy. In addition, stringent credit terms are adopted wherever feasible to minimize the credit risks. Considerable amount of due diligence is carried out before accepting customers on open credit terms.

KPL also takes forward foreign exchange cover to hedge against forex fluctuations.

Internal Control Systems and their adequacy:

KPL is having a comprehensive system of internal inspection and audit as a check on internal control management systems. The company has appointed an independent firm of Chartered Accountants as Internal Auditors. The reports of such auditor / inspector are being reviewed periodically for further improvement. Cost of Production (COP) sheet, Standard Operation Procedure (SOP), Activity Based Costing (ABC), Safety / Technical Audit are a few such systems in practice.

Compliance: The Company has commitment of compliance with the internal audit towards the submissions of various returns and data information as required by the statutory authorities. The Company has an internal audit department, which verifies and administers suitable internal control system.

Vigilance: The Audit Committee reviews the report of Internal Audit and expresses ways and means to overcome the lapses, if any, pointed out in the report.

Corporate Governance: The Statutory Auditor of the Company has given a certificate to the Board as required under Clause 49 of the Listing Agreement.

Human Resources / Industrial Relations

The success of an organization depends predominantly upon its trained and talented resources. Keeping this in mind the organization has initiated various development programmes this year. During the year the organization has implemented initiatives such as 5S, SGA (Small Group Activities) Employees Reward and Recognition programme, Employee suggestion Scheme and other developmental initiatives. During the year employees underwent series of training programmes as part of the developmental initiatives of

the organization. In order to involve the employees in the developmental process we have conducted brainstorming sessions across the units for improving the process and overall development of the organization. The inputs from the employees are carefully examined by a team of senior officials and efforts are on to bring in improvements wherever necessary. The organization looks at the performance of the employees as a key driver of growth and internal talents has been recognized by way of promotions with higher/additional responsibilities.

During the year the Industrial Relations have been cordial, conducive and mutually productive. The total number of employees as on 31st of March 2010 was 95 in respect of Petrochemical operations.

9. Corporate Governance

We believe that Corporate Governance is the crux of Shareholder value creation. Our governance practices along with the Auditor's Certificate on its compliance are attached hereto as an Annexure to this report.

10. Re-appointment of Auditor

M/s.R.Subramanian and Company, Chartered Accountants, Chennai, retire at the forthcoming annual general meeting and are eligible for re-appointment. As required under section 224 of the Companies Act, 1956, the company has obtained from them a confirmation to the effect that their re-appointment, if made, would be in conformity with the limits prescribed in the said section.

11. Acknowledgement

The Board acknowledges the co-operation and support extended by the employees, consultants, suppliers, customers and all its business associates.

The Directors place on record their appreciation for the continued support and co-operation they have received from Financial Institutions, Banks, Central and State Governments.

On behalf of the Board
for **Kothari Petrochemicals Limited**

Place: Chennai
Date : August 12, 2010

B H Kothari
Chairman and Managing Director

FORM A
Form for disclosure of particulars with respect to conservation of energy
MANALI PLANT
A. Power and fuel consumption

1. Electricity	Current year	Previous year
(a) Purchased		
Unit (Kwh)	48,80,270	51,02,960
Total Amount (Rs.)	2,35,20,079	2,26,19,873
Rate/unit (Rs.)	4.82	4.43
(b) Own generation		
(i) Through diesel generator		
Units	17,32,004	22,24,506
Unit per-litre of diesel oil	3.31	3.24
Cost/Units	10.16	11.12
(ii) Through steam turbine/generator		
Units	--	--
Units per-litre of fuel oil/gas	--	--
Cost/units	--	--
2. Coal (specify quality and where used)		
Quantity (kilo litres)	--	--
Total cost	--	--
Average rate	--	--
3. Furnace oil		
Quantity (kilo litres)	2,215.95	2,607.18
Total amount	5,07,37,459	6,88,84,912
Average rate	22,895.78	24,601.00
4. Others/internal generation (please give details)		
Quantity	--	--
Total cost	--	--
Rate/unit	--	--

B. Consumption per unit of production

	Standard (if any)		
Products (with details) in MT	--	13,197.10	13,272.50
Electricity (Unit per MT)	500	499.90	552.08
Furnace oil	0.20	0.17	0.20
Coal (specify quality)	--	--	--
Others (specify)	--	--	--