



Kothari Petrochemicals Limited

22nd Annual Report 2010 - 11

CORPORATE INFORMATION

Board of Directors	: B.H.Kothari - Chairman & Managing Director G.Narayanaswamy P.N.Devarajan P.K.Rudra P.S.Balasubramaniam N. Chandramouli (Till 30-06-2011)
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
Cost Auditors	: P.Rajulyer, M. Pandurangan & Associates, Chennai - 600 029
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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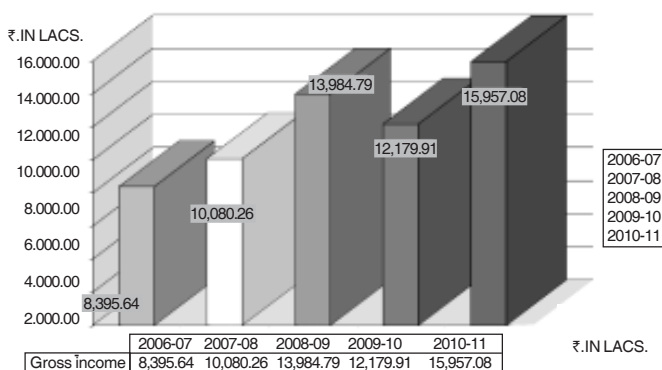
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Financial Highlights

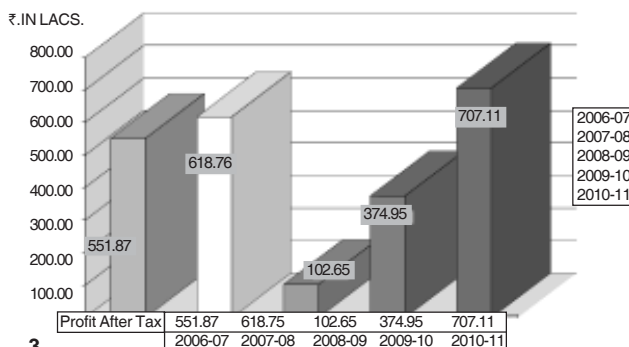
₹. in Lacs

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
PROFITABILITY ITEMS					
Gross Income	8,395.64	10,080.26	13,984.78	12,179.91	15,957.07
Gross Profit (PBDIT)	733.97	907.93	434.42	921.24	1,219.18
Profit After Tax	551.86	618.75	102.65	374.96	707.11
BALANCE SHEET ITEMS					
Net Fixed Assets	1,788.29	3,219.25	2,992.43	2,739.29	3,470.85
Investments	1,214.10	258.51	193.41	511.35	509.92
Net Current Assets	1,507.85	1,651.23	2,045.80	2,529.65	2,430.83
Total Capital Employed	4,510.25	5,129.00	5,231.64	5,780.29	6,411.60
Shareholders Funds	4,510.24	5,129.00	5,231.64	5,606.60	5,971.74
RATIOS					
Book Value Per Share (₹)	7.66	8.72	8.89	9.53	10.15
EPS (₹)	0.94	1.05	0.17	0.64	1.20
Return on Inversment	9.32%	10.45%	1.73%	6.33%	11.84%
Current Ratio	4.70	3.08	3.09	3.27	2.52

Gross Income



Profit After Tax



NOTICE

Notice is hereby given that the 22nd Annual General Meeting of **Kothari Petrochemicals Limited** will be held on Wednesday, September 07, 2011 at 10.30 A.M. at "Rani Seethai Hall" No.603, Anna Salai, Chennai - 600 006 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011 and the Profit & Loss Account for the financial year ended on that date along with Auditors' and Directors' Report thereon.
2. To confirm Interim Dividend paid as the final dividend on equity shares for the financial year 2010-11
3. To appoint a Director in the place of Mr.P.N.Devarajan, 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 M/s.R.Subramanian and Company, Chartered Accountants, Chennai, the retiring Auditors be and are hereby re-appointed as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors".

Special Business

5. To consider and if thought fit, to pass with or without modifications the following resolution as a **Special Resolution**:

"Resolved that pursuant to Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII, and/or any statutory modification(s) or re-enactment(s) thereof, Mr.B.H.Kothari be and is hereby re-appointed as Managing Director of the Company for a period of 5 (five) years with effect from December 01,2011 to November 30, 2016 without any remuneration, subject to, however that Mr.B.H.Kothari, Managing Director be paid sitting fees at such rate as paid to the other directors for attending the Board and Committee Meetings from time to time."

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

Place: Chennai
Date : July 29, 2011

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. The relevant Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted is annexed hereto.

3. **Members or Proxies are requested to bring the attendance slips duly filled in along with their copies of Annual Reports to the meeting and members holding shares in Demat form are requested to bring in their details of DP ID and Client ID for ease of identification and recording of attendance at the meeting.**
4. Share Transfer books and Register of Members will remain closed from Wednesday, 31.08.2011 to Wednesday, 07.09.2011 (both days inclusive)
5. Shareholders are requested to bring copies of their Annual Reports, as no additional copies will be provided.
6. The terms set out in the Resolution and Explanatory Statement may be treated as an abstract of the terms of the contract between the Company and Mr.B.H.Kothari, Managing Director pursuant to section 302 of the Companies Act, 1956.
7. Members holding shares in Dematerialized form are requested to intimate all changes pertaining to their Bank details NECS / ECS, mandates, nominations, power of attorney, change of address / name etc., to their Depository Participant only and not to the Company's Registrar and Transfer Agents (RTA). Changes intimated to the Depository Participant will then be automatically reflected in the Company's records which will help the Company and the RTA to provide efficient and better service to the Members. Members holding shares in physical form are requested to advise the above changes and Transfer of Shares to the Company's RTA M/s. Cameo Corporate Services Limited.
8. As per RBI Guidelines, with effect from 1st October, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Service (NECS) and banks have been instructed to move to the NECS platform. This is in addition to the existing facility of ECS in other locations. NECS essentially operates on the new and unique bank account number, allotted by banks, post implementation of core banking solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions.

In this regard shareholders holding shares in electronic form are requested to furnish new 10 digit Bank account number allotted to them by their bank (after implementing of CBS) along with photocopy of a Cheque of the concerned account to their Depository Participant. If the shares are held in physical form, these details may be sent to the Registrar and Transfer Agents.
9. Members who are still holding shares in physical form are advised to dematerialize their shareholding to avail the benefits of de-materialization which include easy liquidity (since trading is permitted only in dematerialized form) electronic transfer, savings in stamp duty and prevention of forgery, etc.
10. The Board of Directors in its meeting held on May 11, 2011 declared Interim Dividend @ 0.50 paise (5%) per share on the paid up equity share capital of the company. Members are requested to encash the Dividend Warrants before 08 Dec 2011 as the dividend warrant is valid only till that date.

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956

Item No.5

The Board at the Meeting held on 29.07.2011 appointed Mr.B.H.Kothari as the Managing Director of the Company for a period of 5 (five) years with effect from December 01, 2011, since his current term shall effect only on 30.11.2011. The Appointment is subject to the shareholders approval.

No remuneration shall be paid to him except sitting fees for attending the meetings of the Board and/or Committees thereof.

Mr.B.H.Kothari is concerned and is interested in this resolution as it relates to his appointment.

No other director is directly or, indirectly, interested or concerned in this resolution.

The Board of Directors recommends the passing of the proposed resolution.

Important Communication to Members

The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the Companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by email to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of Electronic holding with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register the same with M/s.Cameo Corporate Services Limited, whose address is given in this Annual Report at page 19.

ANNEXURE TO THE NOTICE

THE INFORMATION IN RESPECT OF ITEM NO.3 & 5 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.3	Item No. 5
Name of the Director	Mr.P.N.Devarajan	Mr.B.H. Kothari
Date of Birth	February 15, 1935	November 11, 1961
Date of Appointment	April 24, 2009	April 28, 1989
Qualification	B.Sc., M. Tech. (Chemical Plant Design), IIT, Kharagpur	B.Com
Experience in specific functional areas	He has held senior positions in many organizations such as M/s. Merck Sharp and Dhome, Chemplast, Shriram Chemicals and Fertilizers Limited, Essar Group etc. He has also served as Chairman and Managing Director of Hindustan Organic Chemicals Limited and IDPL. He held positions of Director Central Board, RBI, Member-Chemicals and Export Promotion Council, Bombay, Member - Indo US Trade Business Council. He is presently a Professional Consultant for many leading Public Sector Organizations.	He is the Chairman of H.C.Kothari Group of Companies. He has more than 25 years of experience in administration and Management in the Sugar, Petrochemical and Financial Services Industries. He is presently the Invitee Member (Committee) Federation of Indian Chamber of Commerce & Industry, Governing Council Member - Central Institute of Plastics & Engineering Technology. He has also served as Chairman of South Indian Sugar mills Association (Main) and is currently a member of the same. He is also the Member of Institute of Financial Management & Research.
List of other Companies in which Directorship held	Matix Fertilisers and Chemicals Ltd. Ogene System India (P) Ltd Tex Biosciences (P) Ltd. Tropical Technologies (P) Ltd.	Public Companies Kothari Sugars and Chemicals Ltd. Kothari Safe Deposits Ltd. Gayathri Securities Ltd.
Chairman / Member of the Committee of the Board of Director of the Company	Member-Audit Committee	Chairman - Investment and Credit Approval Committee Member - Share Transfer Cum Shareholders Grievances Committee.
Chairman / Member of the Committee of the other companies in which he is a Director	Nil	Kothari Sugars and Chemicals Ltd. Chairman - Investment and Credit Approval Committee Member - Share Transfer Cum Shareholders Grievances Committee
Number of Shares held in the Company (both own or held by/for other persons on a beneficial basis) as on March 31, 2011	Nil	No. of Equity Shares held. 1,77,400

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

Place: Chennai

Date : July 29, 2011

S Sundaramurthy
Company Secretary

DIRECTORS' REPORT

To the Members,

The Directors present the 22nd Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2011.

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

1. Financial Performance

(₹. in Lakhs)

Particulars	2010 - 2011	2009 - 2010
PBIDT	1,219.19	921.25
Interest	48.46	30.50
Profit after Interest	1,170.72	890.75
Depreciation & Goodwill	279.90	278.68
Profit after Depreciation & Goodwill	890.82	612.07
Tax Expenses	183.71	237.11
Profit After Tax	707.11	374.96
Profit / (Loss) brought forward from previous year	(312.47)	(687.43)
Profit available for appropriation	394.64	(312.47)
Interim Dividend	294.23	—
Dividend Tax on Interim Dividend	47.73	—
Balance Carried to Balance Sheet	52.67	(312.47)

2. Performance for the financial year 2010-11

The Company has achieved a turnover of Rs. 15,957 Lakhs for the year ended March 31, 2011 as against Rs.12,180 Lakhs for the previous 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

After wiping out the entire accumulated losses, your Board of Directors in its meeting held on May 11, 2011 declared an Interim Dividend @ 0.50 paise (5%) per share on the paid up equity share capital of the company for the financial year 2010-11. The total dividend amount of Rs.2.94 Crores (excluding Dividend Tax and Cess thereon) was paid to the shareholders on June 09, 2011.

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

During the year no employee has drawn salary in excess of the amount prescribed under provision of sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

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

The present term of Mr.B.H.Kothari, Managing Director concluded on November 30, 2011. Your Directors, in recognition of his committed role and valued contribution have re-appointed him as Managing Director of the Company for a period of 5 years from December 01, 2011 to November 30, 2016. Consent of the members is being sought of his appointment at this meeting.

Mr.P.N.Devarajan, Director retires by rotation and being eligible offers himself for re-appointment.

Mr.N.Chandramouli, Director resigned from the Board with effect from 01.07.2011. The Board of Directors place on record the appreciation for the valuable services rendered by him.

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, if any.
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgement 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) maintains its status as the single largest Poly Isobutene (PIB) manufacturer in India with an annual installed capacity of 22,000 Tons. Due to the continued efforts on the improvement of quality and manufacturing process operation discipline, the company could enter into different customer segments in domestic as well International market.

Industry Structure & Development:

KPL produces high quality PIB of various grades using Iso Butylen rich LPG being sourced from Refineries. The company also explores the possibility of getting the raw material from alternate sources within India.

Outlook:

Apart from the regular usage of the PIB in lubricants and additives, which cater to the automotive industry, KPL has invented the usage in new areas of application in Master Batch which is a growing market.

KPL has extended its marketing arms to new territories like China, Thailand, Iran in 2010-2011.

The recessionary trend is slowly disappearing in countries like US and Europe and the demand for PIB is improving to the normal level.

Opportunities:

Demand for special grade PIBs are identified in Countries like Singapore and we have started catering to such demands .Apart from the demand for regular grade of PIB (KVIS 10), there are potential market for other grades in China and Iran. KPL has started focusing on these markets and Increased the business in these territories. Since these markets are very keen on the quality of the product, KPL is continuously focusing on the developmental activities to improve the quality further.

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 :

The demand for 2T oils in domestic market continues to be subdued .The demand projection for 2T oil by various Oil marketing Companies are almost stagnant.

Due to heavy demand for the other derivative products from LPG, the Iso Butene rich LPG supply to KPL is under severe threat from mid of 2011-12.

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 an 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.