

CORPORATE INFORMATION

Board of Directors	:	B.H.Kothari - Chairman & Managing Director G.Narayanaswamy P.N.Devarajan P.K.Rudra 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 & Co. Chartered Accountants, No. 28/1, Anjuham Nagar, 1 st Street, Jafferkhanpet, Chennai - 600 083
Cost Auditors	:	P.Rajulyer, M.Pandurangan & Associates New No. 491, Old No. 721, Periyar EVR Salai Aminjikarai, Chennai - 600 029
Legal Advisors	:	S.Ramasubramaniam and Associates Advocates, No.6/1, Bishop Wallers Avenue (West) Mylapore, 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, 5th 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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Financial Highlights

₹. in Lacs

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
PROFITABILITY ITEMS					
Gross Income	10,080.26	13,984.78	12,179.91	16,099.34	17,565.58
Gross Profit (PBDIT)	907.93	434.42	921.24	1,219.18	945.20
Profit After Tax	618.75	102.65	374.96	707.11	428.79
BALANCE SHEET ITEMS					
Net Fixed Assets	3,219.25	2,992.43	2,739.29	3,470.85	5,999.13
Investments	258.51	193.41	511.35	509.93	109.50
Net Current Assets	1,651.23	2,045.80	2,529.65	2,666.32	863.13
Total Capital Employed	5,129.00	5,231.64	5,780.29	6,237.28	7,094.42
Shareholder's Funds	5,129.00	5,231.64	5,606.60	5,971.75	6,058.58
RATIOS					
Book Value Per Share (₹)	8.72	8.89	9.53	10.15	10.30
EPS (₹)	1.05	0.17	0.64	1.20	0.73
Return on Investment	10.45%	1.73%	6.33%	11.84%	7.08%
Current Ratio	3.08	3.09	3.27	2.50	1.40

NOTICE

Notice is hereby given that the 23rd Annual General Meeting of Kothari Petrochemicals Limited will be held on Thursday, September 20, 2012 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 Balance Sheet as at March 31, 2012 and the Statement of Profit & Loss for the financial year ended on that date along with Auditors' and Directors' Report thereon.
2. To declare dividend on equity shares for the year ended March 31, 2012.
3. To appoint a Director in the place of Mr.P.K.Rudra, 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".

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

Place: Chennai
Date : August 02, 2012

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. 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. THE PROXY SHALL NOT BE ENTITLED TO VOTE EXCEPT ON A POLL.**
2. Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the company a certified copy of the Board Resolution / Power of Attorney authorizing their representative to attend and vote on their behalf at the meeting.
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 Friday, 14.09.2012 to Thursday, 20.09.2012 (both days inclusive).
5. The Dividend would be paid not later than 19.10.2012 to those shareholders whose names stand on the Register of Members on 13.09.2012. Dispatch of Dividend warrants would commence on 16.10.2012 and the ECS credit would be done by 19.10.2012.
6. 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 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

NOTICE TO THE MEMBERS



- to advise the above changes and Transfer of Shares to the Company's RTA M/s. Cameo Corporate Services Limited.
7. Shareholders who have so far not encashed the dividend warrant(s) pertaining to the financial year 2010-11 are requested to make their claim to the Company / RTA. It may be noted that once the unpaid/unclaimed dividend is transferred to the Investor Education and Protection Fund (IEPF) after the lapse of 7 years as required under Section 205A of the Companies Act, 1956, no claim shall lie against IEPF or the Company in respect of such dividend.
8. Members who are still holding shares in physical form are advised to dematerialize their shareholding to avail the benefits of easy liquidity, electronic transfer, savings in stamp duty, prevention of forgery, etc.
9. The Annual report of the Company for the year 2011-12, circulated to the Members of the Company, will be made available on the Company's website viz. www.kotharipetrochemicals.com
10. In terms of circulars issued by Securities and Exchange Board of India (SEBI), it is now mandatory to furnish a copy of PAN card to the RTA in the following cases viz. Transfer of Shares, Deletion of Name, Transmission of Shares and Transposition of Shares. Shareholders are requested to furnish a copy of PAN card for all the abovementioned transactions.
11. Disclosure pursuant to Clause 49 of the Listing Agreement with respect to the Director seeking re-appointment / appointment at the forthcoming Annual General Meeting is attached hereto.

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.

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

PARTICULARS	ITEM NO. 3
Name of the Director	Mr.P.K.Rudra
Date of Birth	October 29, 1936
Date of Appointment	December 05, 2006
Qualification	Post Graduate in Engineering and Master of Business Administration.
Experience in specific functional areas	Mr.P.K.Rudra has more than 43 years experience in Engineering and General Management. He was Managing Director of Bengal Chemicals, Essar Projects and Chairman and Managing Director of Lubrizol India Ltd., and Engineers India Ltd. After retiring from full time service, he was Chairman of Consultancy Development Centre, Govt. of India and Triune Projects.
List of other Companies in which Directorship held	Triune Projects Private Limited
Chairman/ Member of the Committee of the Board of Directors of the Company	Audit Committee – Member
Chairman/ Member of the Committee of the other companies in which he is a Director	Nil
Number of Shares held in the Company (both own or held by/for other persons on a beneficial basis) as on March 31, 2012	Nil

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

Place: Chennai
Date: August 02, 2012

S.Sundaramurthy
Company Secretary

DIRECTORS' REPORT

To the Members,

The Directors present the 23rd Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2012.

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

1. Financial Performance

(₹. in Lakhs)

Particulars	2011 - 2012	2010 - 2011
PBIDT	945.20	1,219.18
Interest	122.47	48.46
Profit after Interest before Depreciation and Tax	822.73	1,170.72
Depreciation & Goodwill	171.95	279.90
Profit after Depreciation & Goodwill	650.78	890.82
Tax Expenses	221.99	183.71
Profit After Tax	428.79	707.11
Profit / (Loss) brought forward from previous year	52.67	(312.47)
Profit available for appropriation	481.46	394.64
Proposed Dividend	294.23	294.23
Dividend Tax on Proposed Dividend	47.73	47.73
Balance Carried to Balance Sheet	139.50	52.67

2. Performance for the financial year 2011-12

The Company has achieved a turnover of Rs. 17,338 Lakhs for the year ended March 31, 2012 as against Rs.15,957 Lakhs for the previous year.

Your Company's manufacturing plant adheres to all the safety norms and conducts periodic safety reviews & technical audits to update / upgrade the norms and to suit the latest requirement. All operators are given adequate in-house training by senior executives. The infrastructure within the plant area has been improved and modernised with substantial investment. Extra care has been taken for housekeeping including green belt development programme.

All the initiatives taken by your company to improve the product quality and to satisfy the customers are well recognised by the overseas as well as domestic customers and through their feed back and appreciation of the better quality of our product we infer that it is in line with international quality.

In recognition of its commitment to quality and environment, your company has been awarded with:

- ✓ Quality Management System (ISO 9001:2008)
- ✓ Environmental Management System (ISO 14001: 2004)

by the reputed agency M/s.Det Naorske Veritas, Germany

3. Dividend

The Directors recommend a dividend of Re.0.50 (Fifty paise only) per equity Share of Rs.10 each for the financial year ended March 31, 2012. If approved by the Members at the ensuing Annual General Meeting to be held on 20th September, 2012, it will be paid on or before 19th October, 2012 to those Members whose names appear in the Company's Register of Members and to those persons whose names appear as Beneficial Owners (as per the details to be furnished by the Depositories in respect of the shares held in dematerialized form) as at the close of business hours on 13.09.2012.

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 Deposits

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

6. Directors

Mr.P.K.Rudra, Director, is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself 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) maintains its “**single largest Poly Iso Butene (PIB) manufacturer in India**” status with an annual installed capacity of 22,000 Tons. Due to our continued efforts for the improvement of quality and manufacturing process discipline, the company could enter into different customer segments in domestic as well as International market.

Industry Structure & Development:

KPL produces high quality PIB of various grades using Iso Butylen rich LPG which is sourced from Refineries. The company had identified another source for the raw material in the Eastern part of India and started buying the same from February 2012 onwards. The Company is also continuing the efforts to further explore other sources for the raw material within the country as well as overseas.

Outlook:

As a result of our continuous efforts taken to explore the new markets for PIB, apart from the regular usage of PIB in lubricants and additives, we have started servicing new customer segment like Plastic Master Batch at a better price.

KPL has been awarded the contract to supply PIB by British Petroleum (BP) for their Indonesia, China, Vietnam, Saudi & Malaysia lube manufacturing plants.

Opportunities:

Due to restricted feed supply from one of the supply sources, the PIB production in our competitor's plant got affected and your company was able to utilize the business opportunity and increased the sales at a better realization.

Your Company is continually looking for new technology for its products, processes and for up-gradation of its manufacturing facilities. In order to improve the quality of products and saving the utilities cost, the company undertakes various measures such as Energy Audit, periodic Technical audit with the help of Industry experts and their suggestions are being implemented. KPL is also exploring various technical solutions to source its own Feed Stock in the near future.

Due to the above initiatives and safety measures, the efficiency of your plant in terms of production and quality is expected to improve to a great extent.

A new dedicated power line has been established to get quality power supply to the plant and this has resulted in drastic reduction in down time of the plant operations due to

power failure, which in turn has helped to get better quality of product.

KPL's flexibility to manufacture various grades in a single location, has established its credibility in the global market by prompt supply of various grades to meet customer's requirements.

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 prompt service have become the core competitive strengths of KPL.

Threats:

If a major supplier discontinues the feed supply during the year, your company would suffer. Till such time alternative supply sources are identified.

Since the demand for Iso Butene is increasing globally as well as within India for the downstream industries, the availability of feed stock at competitive price is a threat for KPL in the years to come. Such challenges are being met with improved efficiency of operation and alternate source of feed stock.

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

A new plant in China with a capacity of 75,000 TPA has been commissioned which is in addition to all the capacity enhancement done by major global PIB manufacturers in the last 2 years period. All these major players have their own source of raw material supply which is not the case with KPL and is a big threat, to become a major competitive player in the global market.

Korea has signed a bi-lateral trade agreement with US which has helped them to export PIB to US with Nil import Duty and KPL is not able to compete with them.

Risk & Concerns:

The heavy swing of International Crude Oil prices and the Exchange rate pushed the raw material suppliers to adopt an unclear pricing

policy towards PIB manufacturers which has put KPL in a difficult situation to predict the raw material price movement.

In order to be competitive in the global market, KPL is under pressure to match the long credit periods for their customers in line with the competitors offer, and thus take the additional burden of interest on working capital and related financial costs.

To mitigate the financial risks in global business, KPL as a strategy has covered its exports under a comprehensive ECGC policy.

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

Duty Entitlement Pass Book (DEPB), one of the export benefits for PIB export has been withdrawn by Indian Government, which is a setback.

Internal Control Systems and their adequacy:

The company has appointed an independent firm of Chartered Accountants as Internal Auditors.

Internal Audit and Inspection: KPL is having a comprehensive system of internal inspection and audit as a check on internal control and management systems. The reports of 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 a strict compliance protocol and submission of various returns and data information as required by the statutory authorities is a priority.

Human Resources / Industrial Relations

During the year, the industrial relations have remained cordial, conducive. Employees at all levels demonstrated high degree of commitment for achieving the company's goals.

During the year employees attended series of training – Technical and Soft skills as part of Employee Development Program. Special Onsite Program and In-house Training programme were conducted on safety.

The company focused on Career development of employees and Manpower requirement was filled in by giving priority to internal sources – through promotions / horizontal transfers. Key Performance Indicators introduced last year designed on planning employees career growth was successfully implemented. Total number of employees as on 31st March 2012 was 116.

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.

11. Cost Auditor

Pursuant to section 233B of the Companies Act, 1956, M/s.P.Rajulyer, M.Pandurangan & Associates, a Practising Cost Accountants, were appointed as Cost Auditor for the year 2012 - 2013.

Filing of Cost Audit Report	2011 - 2012	2010 - 2011
Due Date	31.12.2012	Order No.F.No.52/26/CAB-2010 dated 2 nd May 2011, issued by Ministry of Corporate Affairs, Cost Audit Branch pertaining to the Cost Accounting Records (Petroleum Industry) Rules 2002, the Cost Audit is necessary for our product Poly Isobutene (PIB) for every financial year commencing on or after the 1 st day of April 2011.
Actual Date	(Target) 30.11.2012	
Cost Auditor Details	M/s.P.Rajulyer, M.Pandurangan & Associates, M.No.27969, Chennai	
Audit Qualification in Report	--	

12. 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 02, 2012

B.H. Kothari
 Chairman and Managing Director