



Kothari Petrochemicals Limited

24th Annual Report
2012 - 13

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 No. 492, 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 :	2008-09	2009-10	2010-11	2011-12	2012-13
PROFITABILITY ITEMS					
Gross Income	13,984.78	12,179.91	16,099.34	17,565.58	26,152.05
Gross Profit (PBDIT)	434.42	921.24	1,219.38	945.20	1,029.31
Profit After Tax	102.65	374.96	707.11	428.79	520.56
BALANCE SHEET ITEMS					
Net Fixed Assets	2,992.43	2,739.29	3,470.85	5,999.13	4,844.38
Investments	193.41	511.35	509.93	109.50	317.85
Net Current Assets	2,045.80	2,529.65	2,666.32	863.13	1,592.58
Total Capital Employed	5,231.64	5,780.29	6,237.28	7,094.42	6,457.75
Shareholder's Funds	5,231.64	5,606.60	5,971.75	6,058.58	6,062.78
RATIOS					
Book Value Per Share (₹)	8.89	9.53	10.15	10.30	10.30
EPS (₹)	0.17	0.64	1.20	0.73	0.88
Return on Investment	1.73%	6.33%	11.84%	7.08%	8.59%
Current Ratio	3.09	3.27	2.50	1.40	1.50

NOTICE

Notice is hereby given that the 24th Annual General Meeting of Kothari Petrochemicals Limited will be held on Thursday, September 05, 2013 at 10.30A.M. at The MusicAcademy, 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, 2013 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, 2013.
3. To appoint a Director in the place of Mr.G.Narayanawamy, 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 remuneration to be fixed by the Board of Directors".

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

Place: Chennai
Date : July 31, 2013

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 IN ORDER TO BE EFFECTIVE MUST BE DULY FILLED, STAMPED, SIGNED AND 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 Wednesday, 28th August, 2013 to Thursday, 05th September, 2013 (both days inclusive).
5. The Dividend would be paid at a rate of Re.0.75 paise per Equity Shares of Rs.10/- each by not later than 04th October, 2013 to those shareholders whose names stand on the Register of Members on 27th August, 2013. Dispatch of Dividend warrants would commence on 01st October, 2013 and the ECS credit would be done by 04th October 2013.
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 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 years 2010-11 & 2011-12 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.

NOTICE TO THE MEMBERS

9. The Annual report of the Company for the year 2012-13, circulated to the Members of the Company, will be made available on the Company's website viz. www.kotharipetrochemicals.com
10. The Company has designated an exclusive e-mail id viz. secdept@hckgroup.com to enable investors to register their complaints / queries, if any.
11. 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.
12. 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.

ANNEXURE TO THE NOTICE

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.G.Narayanaswamy
Date of Birth	April 27, 1928
Date of Appointment	October 26, 2005
Qualification	Bachelor of Science (B.S.c.,) Fellow Member of Institute of Chartered Accountants of India (F.C.A.)
Experience in specific functional areas	He has experience of more than 6 decades in the accounting and auditing profession. He is the senior partner of M/s.Venkatraman & Co., Chartered Accountants, Chennai.
List of other Companies in which Directorship held	M/s.Suman Controls Private Limited
Chairman/ Member of the Committee of the Board of Director of the Company	Audit Committee - Chairman
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, 2013	4000 Shares

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

Place: Chennai
Date : July 31, 2013

S.Sundaramurthy
Company Secretary

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.

DIRECTORS' REPORT
To the Members,

The Directors present the 24th Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2013.

- Highlights of the Company's Financial Performance for the year are summarized below.

(₹. in Lakhs)

Particulars	2012 - 2013	2011 - 2012
PBIDT	1,117.29	945.20
Interest	129.84	122.47
Profit after Interest before Depreciation and Tax	987.45	822.73
Depreciation	249.21	171.95
Tax Expenses	217.68	221.99
Profit After Depreciation and Tax	520.56	428.79
Profit brought forward from previous year	139.50	52.67
Profit available for appropriation	660.06	481.46
Proposed Dividend	441.35	294.23
Dividend Tax on Proposed Dividend	75.01	47.73
Balance Carried to Balance Sheet	143.70	139.50

2. Performance for the financial year 2012-13

The Company has achieved a total revenue of Rs.23,975.45 Lakhs for the year ended March 31, 2013 as against Rs.16,219.69 Lakhs for the previous year. The revenue increased due to higher sales volume and higher selling price.

Your Company's manufacturing plant continues to adhere to all the safety norms and conducts periodic safety reviews & technical audits to update / upgrade the norms and to suit the latest requirements. All operators are continuously given adequate in-house training by senior executives. Due to tireless efforts, significant improvements are seen in the overall house keeping and a lot of awareness among the workers on the need for good housekeeping is witnessed.

Your company is embarking on a journey to improve the quality of the product based on the feed back being received from various customer segments to penetrate new market segments overseas.

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. Subsidiary Company

Your company incorporated a wholly owned subsidiary company namely Kothari Petrochemicals Pte. Ltd., Singapore in the month of July 2013 to explore and improve the market share in South East Asia region for our products.

4. Dividend

The Directors recommend a dividend of Re.0.75 paise per equity Share of Rs.10/- each for the financial year ended March 31, 2013 (last year Re.0.50 paise). If approved by the Members at the ensuing Annual General Meeting to be held on 05th September, 2013, it will be paid on or before 04th October, 2013 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 27.08.2013.

5. 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 provisions 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'

6. 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.

7. Directors

Mr.G.Narayanaswamy, Director, is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment

8. 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.

9. Management Discussion and Analysis

Kothari Petrochemicals Limited (KPL) continues to retains its status of being the "Largest Poly Iso Butene (PIB) manufacturer in India" with an annual installed capacity of 22,000 tons and this has been proved from the increased sale volume from the domestic demand and the reliability of your company as a dependable vendor to most of the Oil companies in India.

Industry Structure & Development:

KPL produces high quality PIB of various grades using Iso Butylen rich LPG which is sourced from Refineries. The company has identified a new supplier for raw materials and this new source has proved to be dependable and your company was able to meet the increased demand of their product without any difficulty with the help of the new supply source. The Company is also continuing its efforts to further explore other sources for the raw material within the country as well as overseas.

Outlook:

The newly developed market such as Plastic Master Batch etc. are showing an encouraging growth of demand for our products and your company is continuing to develop the new market and enlarge its customer base apart from Oil Companies who are the largest consumer segment of our product.

Last year, your company was awarded the prestigious annual contract by M/s.British Petroleum (BP) for most of their Asian Lube Installations and this year your company has secured the annual contract for supply of high grade PIB to M/s Pertamina which is the only Government Oil Company of Indonesia.

Opportunities:

Due to restricted availability of raw material in the country, our competitors have not been able to achieve full production, whereas, availing of this opportunity, your company was able to source the required raw materials from various sources and has also been able to increase the sales and improved the realization.

Your Company is continuously working on the new technology support for its productivity improvement, processes and for up-gradation of its manufacturing facilities. In order to improve the production and quality of products and saving the utilities cost, the company has invested a significant amount in various fields like Energy Audit, periodic Technical audit with the help of Industry's experts for fine tuning of operation parameters, and so the efficiency of your plant in terms of production and quality has improved significantly.

Your company was facing frequent disruptions in power supply till the last year and this has been set right during the year by ensuring uninterrupted power supply directly from the grid through a dedicated under ground line which in turn has resulted in the smooth operation of the plant and also ensuring a good quality product.

Some of the setbacks in the global production of PIB in various parts of the world during the second half of the financial year created an opportunity for us to enter new markets with the support of our well established quality and service reliability across the globe.

As it has been proven year after year, Supply Security, International Quality and prompt service have become the core competitive strengths of KPL.

Threats:

Raffinate which is also the basic raw material for several value added downstream products like Butene-1, Iso Butyl Rubber (IBR) etc., is becoming difficult to source, as the refineries who are the suppliers of Raffinate are diverting the same for other projects for manufacture of new products. In view of this, the availability of Raffinate is likely to be under threat in the coming years.

The growth of 2T oil demand in domestic market continues to be subdued and the forecast of demand for this 2T oil from the major Public Sector Undertaking (PSU) Oil Companies in the coming years are not very encouraging.

Post commissioning of a new Joint Venture plant in China, the Indian market has been flooded

with product from the new plant of China and our strong customer hold is now being threatened by the new entrant.

Risk & Concerns:

The effect of the sanction on Iran has had an impact on the prices of the raw material from the second half of the financial year and the high volatile Exchange rate fluctuation impacts further the pricing of the raw material which is a very big concern for your company.

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.

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 continued to be cordial and conducive. Employees at all levels demonstrated high degree of commitment for achieving the company's goals.

During the year employees attended series of training sessions - 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. This year our recruitment and retention strategies continued to focus on diversity.

Key performance indicators introduced last year for planning and strengthening employees career growth was successfully

implemented. Total number of employees as on 31st March 2013 was 113.

10. 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. Re-appointment of Auditors

Mr.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.

12. 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 2013 - 2014.

Filing of Cost Audit Report	2012-2013	2011 - 2012
Due Date	27.09.2013	28.02.2013
Actual Date	(Target) 25.09.2013	29.01.2013
Cost Auditor Details	M/s.P.Rajulyer, M.Pandurangan & Associates, M.No.27969, Chennai	M/s.P.Rajulyer, M.Pandurangan & Associates, M.No.27969, Chennai
Audit Qualification in Report	-	NIL

13. 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 : July 31, 2013

B.H. Kothari
Chairman and Managing Director