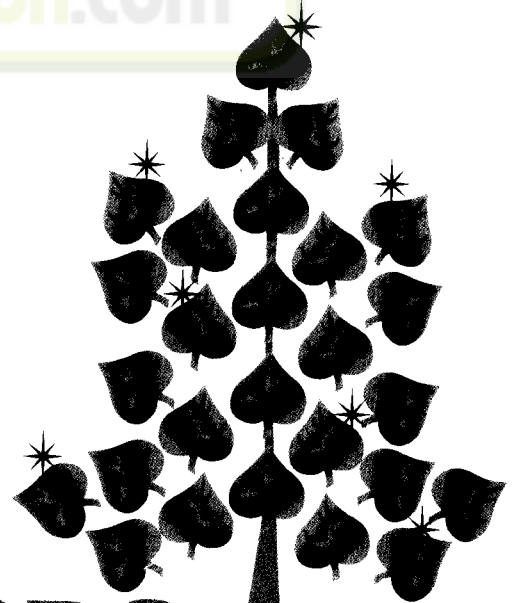


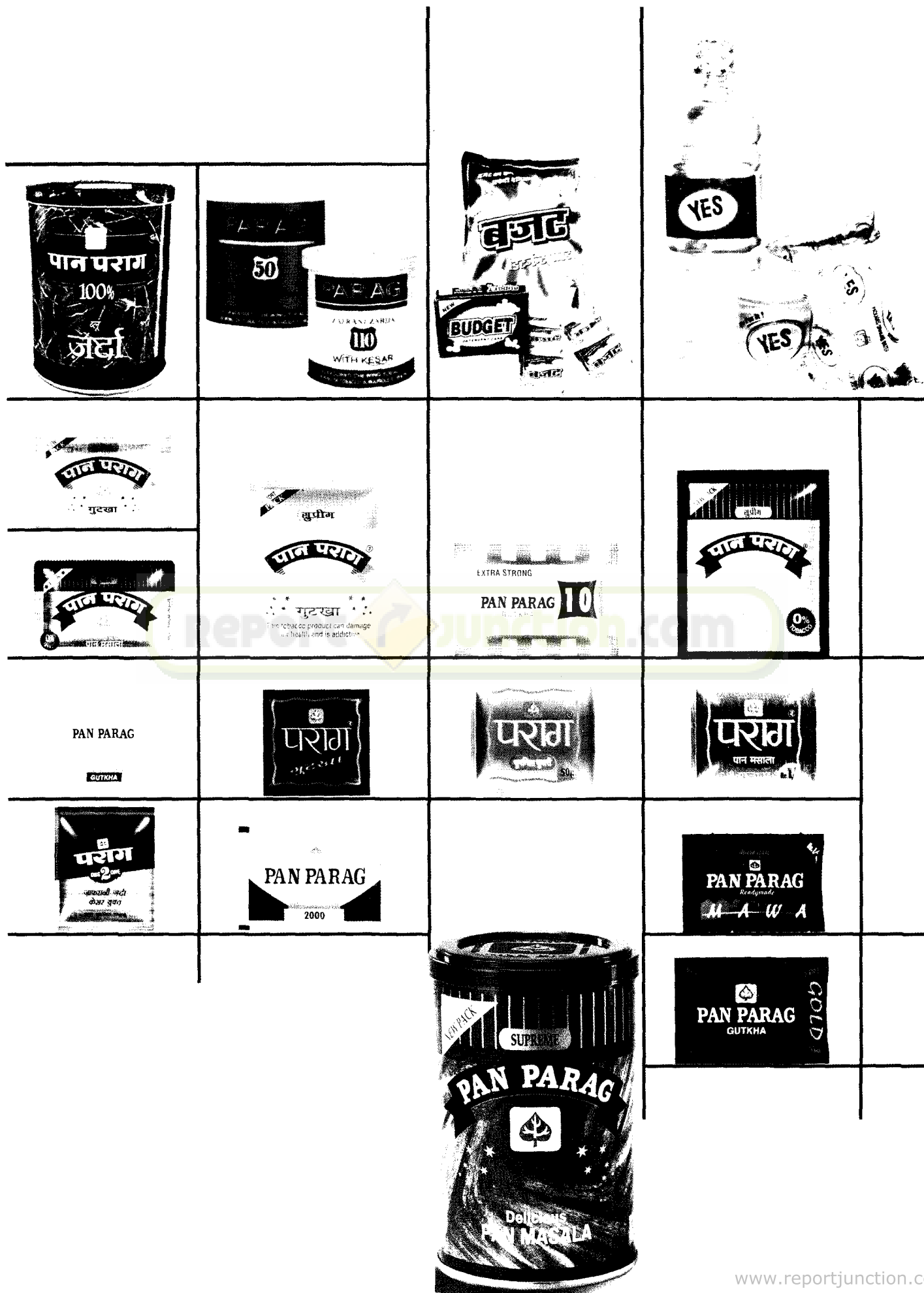


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# PROGRESS & GROWTH

22nd Annual Report  
2005-2006




**KOTHARI**  
 PRODUCTS LIMITED

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## BOARD OF DIRECTORS

### *Chairman*

M.M. KOTHARI

### *Managing Director*

DEEPAK KOTHARI

### *Executive Director*

MITESH KOTHARI

### *Directors*

VIKAS CHATURVEDI

DR. AVINASH GUPTA

PRAMOD KUMAR TANDON

### *Company Secretary*

RAJ KUMAR GUPTA

## AUDITORS

MEHROTRA & MEHROTRA

Chartered Accountants

16/49, Civil Lines

Kanpur - 208 001

## REGISTERED OFFICE & SECRETARIAL DEPARTMENT

"Pan Parag House", 24/19, The Mall, Kanpur - 208 001.

Visit us on Internet at : <http://www.panparag.com>

E-mail : [panparag@sancharnet.in](mailto:panparag@sancharnet.in)

Ph. No. (0512) 2312171-74, Fax No. (0512) 2312058

## AUDIT COMMITTEE

### *Chairman*

PRAMOD KUMAR TANDON

### *Members*

DEEPAK KOTHARI

DR. AVINASH GUPTA

VIKAS CHATURVEDI

## SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

### *Chairman*

PRAMOD KUMAR TANDON

### *Members*

DEEPAK KOTHARI

MITESH KOTHARI

DR. AVINASH GUPTA

## REMUNERATION COMMITTEE

### *Chairman*

PRAMOD KUMAR TANDON

### *Members*

VIKAS CHATURVEDI

DR. AVINASH GUPTA



**SANSCO**  
PRODUCTS LIMITED



**M.M. KOTHARI**  
Our Chairman

**NOTICE :**

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of Kothari Products Limited, will be held on Friday, the 15<sup>th</sup> September, 2006 at "Little Chef", Civil Lines, Kanpur at 11.30 A.M., to transact the following business :-

**ORDINARY BUSINESS :**

- 1) To consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2006 and the Profit & Loss Account for the financial year ended on that date and the Reports of the Directors' and Auditors' thereon.
- 2) To declare a dividend for the aforesaid financial year.
- 3) To appoint a Director in place of Sri M.M.Kothari, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Sri Pramod Kumar Tandon, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To re-appoint M/s.Mehrotra & Mehrotra, Chartered Accountants, retiring Auditors, as Auditors of the Company and to authorise the Board of Directors of the Company to fix their remuneration.

**SPECIAL BUSINESS :**

- 6) To consider and if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution :-

"RESOLVED THAT Sri Vikas Chaturvedi who was appointed a Director of the Company to fill-in the casual vacancy caused by the death of Sri Onkar Nath Chaturvedi and who vacates office at this meeting u/s 262 of the Companies Act, 1956 but who is eligible for re-appointment and in respect of whom the Company has received a Notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by the retirement of Directors by rotation."

Regd. Off :  
'PAN PARAG HOUSE'  
24/19, THE MALL, KANPUR - 208 001

By Order of the Board  
for KOTHARI PRODUCTS LIMITED

Sd/-  
RAJ KUMAR GUPTA  
Company Secretary

DATE : 23rd June, 2006

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies, in order to be effective should be completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members of the Company shall remain closed from Friday, 8<sup>th</sup> September, 2006 to Friday, 15<sup>th</sup> September, 2006 (both days inclusive).
4. The Dividend for the year ended 31<sup>st</sup> March, 2006 as recommended by the Board, if approved by the members, will be paid to the physical members whose names appear in the Company's Register of Members on 7<sup>th</sup> September, 2006 In respect of shares held in electronic form, the dividend will be payable on the basis of their beneficial ownership as at the end of aforesaid date as per details furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd. for this purpose.
5. THE MEMBERS HOLDING PHYSICAL SHARES ARE, IN THEIR OWN INTEREST, ADVISED TO SEND IMMEDIATELY REQUESTS FOR CHANGE OF ADDRESS AND BANK PARTICULARS TO THE SECRETARIAL DEPARTMENT AT THE REGISTERED OFFICE OF THE COMPANY. HOWEVER, THE MEMBERS HOLDING DEMAT SHARES ARE ADVISED TO IMMEDIATELY INTIMATE THE CHANGE OF ADDRESS AND BANK DETAILS TO THEIR CONCERNED DEPOSITORY PARTICIPANTS.
6. Those Members who have not encashed/received their Dividend warrants for the financial years 1998-00 onwards may approach the Secretarial Department at the Registered Office of the Company for revalidation of Dividend Warrants or for obtaining duplicate Dividend Warrants in lieu of the lost warrants.




**KOTHARI**  
 PRODUCTS LIMITED

7. Members are hereby also informed that Dividends which remain unclaimed/unencashed for a period of 7 years, from the date of transfer to the unpaid Dividend Accounts, have to be transferred by the Company u/s 205A to the Investors Education & Protection Fund (IEPF) constituted by the Central Government u/s 205C of the Companies Act, 1956. Further, under the amended provisions of Sec.205B of the Companies Act, 1956, no claim shall lie for the unclaimed Dividend from IEPF by the shareholders.

The unpaid Dividend amount relating to the Financial Years 1994-95, 1995-96, 1996-97 & 1997-98 have been transferred to the aforesaid Investor Education & Protection Fund.

MEMBERS ARE AGAIN ADVISED TO NOTE THAT THE UNPAID INTERIM DIVIDEND AMOUNT RELATING TO FINANCIAL YEAR 1998-00 WILL BE TRANSFERRED TO THE INVESTOR EDUCATION & PROTECTION FUND, AS PER THE PROVISIONS OF SEC.205A (5) OF THE COMPANIES ACT, 1956, IN APRIL 2007. FURTHER, NO CLAIM SHALL LIE, IN RESPECT OF THE AFORESAID DIVIDEND TRANSFERRED TO THE FUND, EITHER AGAINST THE COMPANY/ITS OFFICERS OR AGAINST THE GOVERNMENT.

8. Members desirous of getting any information at the meeting about the accounts and operations of the company are requested to send their query at the Registered office well in advance so that the same may reach the office atleast seven days before the date of the meeting to enable the management to keep the information required readily available at the meeting.
9. Section 109A of the Companies Act, 1956 has extended nomination facility to individuals holding shares in Companies. Shareholders, in particular, those holding shares as sole holder are advised to avail of the above facility in their own interest, by furnishing to the Company the particulars of their nominations. The prescribed application form may be obtained by the shareholders from the Company's Secretarial Department at its Registered Office.
10. Members are requested to bring their copies of Annual Report at the meeting. Please note that no gifts will be distributed at the meeting.

#### EXPLANATORY STATEMENT PURSUANT TO SEC 173(2) OF THE COMPANIES ACT, 1956 :

##### ITEM NO. 6 :

Sri Vikas Chaturvedi was appointed by the Board of Directors of the Company in its meeting held on 6<sup>th</sup> September, 2005 as a Director of the Company to fill the casual vacancy caused by the death of Sri Onkar Nath Chaturvedi. Pursuant to the provisions of Section 262 of the Companies Act, 1956 Sri Vikas Chaturvedi holds his office of Director only upto the ensuing Annual General Meeting i.e. the date upto which Sri Onkar Nath Chaturvedi, in whose casual vacancy he had been appointed, would have held his office of Director had he not expired.

The Company has received notice in writing from a Member alongwith a deposit of Rs. 500/-, proposing the candidature of Sri Vikas Chaturvedi for the office of Director of the Company, under the provisions of Section 257 of the Companies Act, 1956. Sri Vikas Chaturvedi has vast experience of Business & Industry and is a Director of Sri Datawares Pvt. Ltd.

The Board is therefore of the view that his association with the Company will immensely benefit the Company.

None of the Directors of the Company are concerned or interested in his appointment.

The Board of Directors therefore recommend you the passing of resolution at item No. 6.

Regd. Off :  
 'PAN PARAG HOUSE'  
 24/19, THE MALL, KANPUR - 208 001

DATE : 23rd June, 2006

By Order of the Board  
 for KOTHARI PRODUCTS LIMITED

Sd/-  
**RAJ KUMAR GUPTA**  
 Company Secretary



## DIRECTORS' REPORT

### TO THE MEMBERS:

The Board of Directors of your Company present herewith their 22<sup>nd</sup> Annual Report and Audited Statements of Accounts for the financial year ended 31<sup>st</sup> March, 2006. The report also includes the Management discussion and Analysis Report in accordance with guidelines of Corporate Governance.

### FINANCIAL PERFORMANCE :

	FINANCIAL YEAR ENDED 31.03.2006	(RS. IN LACS) FINANCIAL YEAR ENDED 31.03.2005
Net Sales	19160	21128
Other Income	5350	1928
Profit before Depreciation and Taxation	8868	4652
Less : Depreciation	176	203
Provision for Taxation :		
- Current Tax	1106	662
- Deferred Tax	-80	-62
Profit after Tax	7666	3849
Add : Balance of Profit brought forward from previous year	4401	6310
Profit available for appropriation	<u>12067</u>	<u>10159</u>
<b>APPROPRIATIONS :</b>		
Transfer to General Reserve	7000	5000
Proposed Dividend	663	663
Additional Tax on Proposed Dividend	93	95
Balance of Profit carried forward	4311	4401
	<u>12067</u>	<u>10159</u>

### 2006 IN RETROSPECT :

Your Directors are to report that the Company's sales during the year under review has been Rs.19160 Lacs as against Rs.21128 Lacs during the previous financial year. The sales have gone down during the year under review as compared to previous year due to anti-publicity compaigns by various organisations. However the Profit before tax during the year has been Rs.8692 Lacs as against Rs.4449 Lacs in the previous year. The Profit after Tax has similarly increased to Rs.7666 Lacs as against Rs.3849 Lacs in the previous year.

### INTERNATIONAL BUSINESS :

The Company's exports during the year under review increased to Rs.5887 Lacs as compared to Rs.5096 Lacs during the previous year registering an increase of 15.52%. The aforesaid increase in Export turnover has been due to better market penetration.

### DIVIDEND RECOMMENDED :

The Directors recommend a dividend of 100% (Rs.10/- per Equity share of Rs.10/- each) for the financial year ended 31<sup>st</sup> March, 2006 subject to approval of shareholders in ensuing Annual General Meeting absorbing Rs.663 Lacs (Approx). The aforesaid Dividend is tax free in the hands of the shareholders.



**SUBSIDIARY :**

The Company has Sukhdham Constructions & Developers Ltd. & Arti Web-Developers Pvt.Ltd., as its wholly owned subsidiary companies. In accordance with section 212 of the Companies Act, 1956, the detailed accounts and the Directors' Report etc. of the aforesaid subsidiary companies form part of this Annual Report.

**DIRECTORS :**

Sri M.M.Kothari, Chairman & Sri Pramod Kumar Tandon, Director of the company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resume of the aforesaid Directors, nature of their expertise in specific functional areas and names of Companies in which they hold the Directorship & the membership/Chairmanship of the committees of the Board, as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges are given in the section on Corporate Governance elsewhere in this Annual Report.

**STOCK EXCHANGE LISTING & COMPLIANCE :**

The Shares of the Company are presently listed at Bombay Stock Exchange Ltd. Mumbai, U.P. Stock Exchange Association Ltd. Kanpur, Calcutta Stock Exchange Association Ltd. Kolkata & National Stock Exchange of India Ltd. Mumbai. Delisting Application has been sent by the Company to the Calcutta Stock Exchange on 8<sup>th</sup> March, 2005 but delisting confirmation letter is still awaited. The Company has complied with all the requirements relating to the Listing Agreement and the amendments made thereto from time to time.

**CORPORATE GOVERNANCE CODE :**

The report on the Corporate Governance Code as required under clause 49 of the Listing Agreement is included in this Annual Report under a separate section.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

As required under Sec.217 (2AA) introduced by the Companies (Amendment) Act, 2000, your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed ;
- (ii) that the Directors 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 of the company for the year;
- (iii) that the Directors 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;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

**MANAGEMENT DISCUSSION & ANALYSIS REPORT :**

The information, as required under clause 49 of the Listing Agreement, is as under :-

**a) INDUSTRY STRUCTURE AND DEVELOPMENTS :**

The Company mainly belongs to Pan Masala & Gutkha Industry which has some units in the organised sector and a large number of units in the unorganised sector. The Industry faces always the risk of putting a ban on the Manufacture/Sale of Pan Masala & Gutkha by the Central/State Governments. Earlier several state governments had put similar bans in their respective states. However presently no such ban exists there.


**KOTHARI**  
 PRODUCTS LIMITED

**b) OPPORTUNITIES & THREATS :**

In view of the aforesaid the future/ survival of the Pan Masala & Gutkha Industry appears to be uncertain.

**c) FINANCIAL PERFORMANCE :**

The Company's sales have decreased to Rs. 19160 Lacs during the period under review as against Rs. 21128 Lacs during the previous financial year. The profit before tax during the year has however gone up to Rs. 8692 Lacs as against Rs. 4449 Lacs in the previous year. The profit after tax has similarly gone up to Rs. 7666 Lacs as against Rs. 3849 Lacs during the previous financial year.

**d) OUTLOOK :**

In view of the aforesaid threats in the Pan Masala & Gutkha Industry the outlook of the Company seems to be very challenging in the years to follow.

**e) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :**

The Company has Internal Control procedures commensurate with the size of the Company and the nature of its business for the purchase of Stores, Raw Materials including components, Plants & Machinery, Equipment & other Assets and with regard to the sale of goods.

**AUDITORS AND AUDITORS' REPORT :**

M/s Mehrotra & Mehrotra, Auditors retiring at the ensuing Annual General Meeting having furnished the requisite certificate u/s 224(1B) of The Companies Act, 1956, are eligible for re-appointment.

There are no qualifications or adverse remarks in the Auditors' Report which need explanation in the Directors Report.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The information required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is as under :-

**[A] CONSERVATION OF ENERGY :**
**a) Energy Conservation Measures taken :**

The Company has taken all measures for conservation of energy most economically.

**b) Additional Investments & Proposals, if any, being implemented for reduction of consumption of energy. No such investment is proposed.**
**c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on cost of Production of goods.**

These measures have led to consumption of energy more economically and cost of production of goods has gone down.

**d) Form 'A' is not applicable to the company.**
**[B] TECHNOLOGY ABSORPTION :**

The Company has not imported any technology and company's products are based on secret formulations which are developed by the promoters from time to time and accordingly no technology as such is involved in the manufacturing of the aforesaid products. Further, no separate R & D department exists in the company. However whatever little R & D is carried out, the expenses relating to that being non quantifiable, are debited to the primary heads of Account, because no separate staff is employed for this purpose. Hence the information in form 'B' is Nil.