





KOTHARI SUGARS AND CHEMICALS LIMITED

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<p>WORKS</p> <p>KATTUR: Kattur Railway Station Lalgudi, Trichy Dist. - 621 601. Tamil Nadu Phone : 0431-541224,541350, Fax : 0431-541451</p> <p>MANALI: Sathangadu Village, Tiruvottriyur, Ponneri High Road, Manali, Chennai - 600 068. Tamil Nadu Phone : 5941308,5941309 Fax : 044-5941524</p> <p>KARAIKAL: Melavanjore, Karaikal - 611 002. Union Territory of Pondicherry Phone : 04365-51015 Fax : 04365-51016</p> <p>SANGA REDDY: Turakalakhanpur, Sanga Reddy - Narasapur Highway, Hathnoora Mandal Medak District - 502 296 Andhra Pradesh Phone : 08458-78773.</p> <p>MARKETING OFFICE AT MUMBAI: B-205/206, Kamanwala Chambers Udyog Mandir Premises, Mogul Lane Mahim (West), Mumbai - 400 016. Phone : 022-4668150, 4468382</p>	

KOTHARI SUGARS AND CHEMICALS LIMITED**BOARD OF DIRECTORS**

B.H. KOTHARI - *Chairman & Managing Director*
 N. CHANDRAMOULI - *Executive Director*
 Dr. BANSI DHAR
 PRANAB KUMAR RUDRA
 Dr. P.S. MANISUNDARAM
 P.S. GOPALAKRISHNAN
 V.R. KOTHANDARAMAN
 (Nominee - LIC)

PRESIDENT - SUGARS DIVISION

K. JAYACHANDRAN

PRESIDENT - PETROCHEMICALS DIVISION

T.R.VENKATASUBRAMANIAN

COMPANY SECRETARY

N. SRIDHARAN

BANKERS

STATE BANK OF INDIA
 CORPORATION BANK
 BANK OF BARODA
 STATE BANK OF TRAVANCORE

AUDITORS

M/s. FRASER & ROSS
 Chartered Accountants, Chennai - 600 035

INTERNAL AUDITORS

M/s. SESA & RAJAN
 Chartered Accountants, Chennai - 600 083

COST AUDITOR

L.S. SATHIAMUTHI
 Cost Accountant, Chennai - 600 020.

REGISTERED OFFICE

"Kothari Buildings"
 115, Mahatma Gandhi Salai
 Chennai - 600 034
 Phone : 8234611, 8234612, 8234613

REGISTRAR & TRANSFER AGENT

M/s Cameo Corporate Services Limited
 "Subramanian Buildings"
 1, Club House Road
 Chennai - 600 002
 Phone : 8460390 to 8460394
 Fax : 044-8460129



NOTICE TO THE MEMBERS

Notice is hereby given that the 41st Annual General Meeting of the Members of Kothari Sugars & Chemicals Limited will be held on Monday, 30th September 2002 at 3.00 P.M. at BALA MANDIR GERMAN HALL, 17, Prakasam Street, (off G.N.Chetty Road), T.Nagar, Chennai – 600 017 to transact the following Ordinary Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss account of the Company for the year ended 31st March 2002 and the Balance Sheet as on that date and the Cash Flow Statement for the year ended 31.03.2002 together with Reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.P S Gopalakrishnan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Dr.P S Manisundaram, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration. In this connection, to consider and if thought fit, to pass the following resolution as a Special Resolution :

"RESOLVED THAT in accordance with the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Fraser & Ross, the retiring auditors be and are hereby appointed as Auditors of the company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting on a remuneration of Rupees two lakhs in addition to fee for other certification work and travelling and out of pocket expenses."

Place : Chennai

By Order of the Board of Directors

Date : 24th August 2002

N.SRIDHARAN
COMPANY SECRETARY

IN RESPECT OF ITEM NO. 2 & 3, THE INFORMATION 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. P.S. Gopalakrishnan	Dr. P.S. Manisundaram
Date of Birth	23.08.1935	09.12.1927
Date of appointment	12.06.1995	19.11.1996
Qualification and experience in specific functional areas	B.Com, LLB He has vast experience in the Banking Industry. He was former chairman of leading financial institutions like, The Industrial Finance Corporation of India, The Tourism Finance Corporation of India, Indian Overseas Bank and Oriental Bank of Commerce. He was executive trustee of Unit Trust of India.	BA., B.E., M.Eng., D.Eng., He was former Vice Chancellor of Regional Engineering College, Trichy, He has extensive technical experience in engineering field including education.
List of Companies in which Outside directorships held	1. Appu Hotels Ltd. 2. Reliance Capital Asset Management Ltd. 3. Shriram Tower Tech Ltd. 4. Mega International (P) Ltd.	Nil
Chairman/Member of the Committee of the Board of Director of the company	Chairman 1. Audit Committee 2. Shareholders Grievances Committee	Member 1. Audit Committee 2. Shareholders Grievances Committee
Chairman/Member of the Committees of other companies in which he is a directors.	Nil	Nil

**NOTICE TO THE MEMBERS****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 WITH THE REGISTERED OFFICE OF THE COMPANY AT ANY TIME NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. Member or proxy has to fill enclosed attendance slip and deposit the same at the entrance of the meeting hall.
3. Members are informed that all unpaid/unclaimed dividends for and upto the period ended 31.03.1995 have been transferred to General Reserve account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Chennai - 600 006. The Companies Act 1956, as amended by the Companies (Amendment) Act 1998 requires the unclaimed/unpaid dividends to be transferred to the Investors' Education and Protection Fund after a lapse of 7 years from the date of declaration. Those who have not encashed the dividend warrants for the year 1995-96 and 1996-97 may write to the company or Share Transfer Agents claiming such dividend.
4. In respect of the Item no. 4 of the Notice i.e. appointment of Auditors. Special Resolution is required under section 224A of the companies Act, 1956 when more than 25% of the subscribed share capital of the company is held by one or more Public Financial Institutions and Nationalised Banks. Since more than 25% of the subscribed share capital of our company is held by Public Financial Institutions and Nationalised Banks. Special Resolution is recommended.
5. All Change of Address, Mandate intimation, transfer of shares etc. and other correspondence may be made to the Registrars & Transfer Agents, Cameo Corporate Services Ltd.
6. Share Transfer books and Register of Members will be closed from 27.09.2002 till 30.09.2002 (both days inclusive).
7. Shareholders are requested to bring to the meeting copies of Annual Reports with them, as the same will not be provided at the meeting.

By Order of the Board of Directors

Place : Chennai
Date : 24th August 2002

N.SRIDHARAN
COMPANY SECRETARY

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KOTHARI SUGARS AND CHEMICALS LIMITED

REPORT OF THE DIRECTORS TO THE MEMBERS

Your Directors present below the 41st Annual Report on the working of the Company alongwith the audited Balance Sheet, Profit and Loss Account and Cash Flow Statement for the year ended 31st March 2002.

	Year ended 31st March 2002 Rs. in Lakhs	Year ended 31st March 2001 Rs. in Lakhs
Profit/(Loss) before Interest and Depreciation	936.40	1148.69
Interest	(2609.61)	(2551.06)
Depreciation	(1143.15)	(1224.16)
Profit/(Loss) Before Taxation/ Extra-ordinary items	(2816.36)	(2626.53)
Provision for diminution in value of Investments	—	(187.47)
Taxation relating to earlier year	—	(28.39)
Profit/(Loss) after Taxation	(2816.36)	(2842.39)
Add: Balance brought forward from previous year	(18051.17)	(15208.78)
Balance carried to the Balance Sheet	(20867.53)	(18051.17)

SCENARIO**SUGAR DIVISION**

The all India sugar production for the last season was 184.50 lakh Mt. Current season estimates are at 165 lakh Mt. This drop is mainly due to incidents of drought in Maharashtra. Next season production estimates are at 170 lakh Mt. Eventhough there is a drop in sugar production, the price of sugar may not increase in the next one year owing to large carryover stock from previous seasons. It is expected to remain at the current level.

The Government is gradually introducing de-control and the free/levy sugar ratio has been changed from 85:15 to 90:10. Government is also permitting the industry to export sugar in large quantities. Government has also permitted future trading in sugar and it is expected to begin in October 2002.

CHEMICALS DIVISION

The **PIB industry** is looking up with a growth in offtake by fuel additive and lubricant industries. However, the threat of dumping by international players was there. To counter this, the company filed a petition with the Designated Authority, Government of India for imposing anti-dumping duty on PIB imports. After a detailed verification of our claim, a provisional anti-dumping duty has been imposed. This resulted in a reduction of imports and increased market as well as realisation for local PIB producers from the beginning of the year 2002. Due to this, the company was able to achieve record production and sales during this financial year.

The company is making plans to augment the capacity by means of debottlenecking, process parameter improvement and optimisation techniques. Special efforts are being taken to develop business for different grades of PIB for various applications to improve value addition. Steps are being taken to market the by-product to improve the contribution. With all these efforts, the sale volume as well as realisation value are expected to improve in the coming year.

The **Nitroaromatic industry** continues to be in a poor shape due to poor demand, lower prices and cheaper imports. A number of units in this sector remain shutdown for a long time. With this uncertain market condition and poor margin, this industry is not expected to be active for years to come. However, OCA manufacturing in the hydrogenation unit may have a future, with their export potential. The export market, alongwith custom manufacturing opportunities are being pursued to revive manufacturing activities in the Nitroaromatics complex.

The **Nitric Acid** business is also adversely affected by higher ammonia prices. The location and smaller plant capacity are against carrying out a viable operation in this unit. Efforts are being taken to dispose off this unit.

DIVIDEND

Considering the loss incurred by the Company, your Directors have not recommended any dividend on preference share capital and equity share capital of the Company for the year ended 31st March 2002.

OPERATIONS AND PERFORMANCE**A. SUGAR DIVISION**

The sugar plant at Kattur crushed 483146.017 Mts. of cane between April 2001 to March 2002 as against 439770.102 Mts. of cane crushed during last year and the recovery percentage for the year 2001 – 2002 is 9.57% as against 9.19% last year. The total cane crushed during season 2001 – 2002 is 477224 lakh Mts.

Crushing capacity has increased to 3000 TCD in the season 2001 – 2002 from 2800 TCD in the previous season because of modifications taken up in the milling tandem.

In order to improve the sugar production, we have introduced sucrose rich varieties of cane recently. The percentage of high sugar varieties to the total cane cultivated / crushed was 60% during the season 2001 – 2002 as against 30% in the previous season. This is expected to go upto 82% during the next season.



REPORT OF THE DIRECTORS TO THE MEMBERS

A. CANE SEPARATION SYSTEM

The cane separation system is not in operation. The company has filed a lawsuit against the supplier for damages in the court of Minnesota, United States of America. The supplier has filed an application in the Bankruptcy Court, USA and this has led to automatic stay in our case, which will be decided after the decision of the Bankruptcy Court.

B. COGENERATION

The co-generation plant at Kattur has been stabilised. The power export during the year 2001 – 2002 was 15112 MWH as against 13651 MWH in 2000 – 2001.

C. DISTILLERY

The alcohol production during 2001 – 2002 was 9009 KL as against 8260 KL during 2000 – 2001. This was the highest production ever achieved so far since inception.

D. POLYBUTENES

During the year under review, the plant has produced 7272.5 MT of Polybutene and sold 7554.82 MT, which is all time high record production and sales since the commissioning of the plant. The plant has achieved capacity utilisation of more than 100% for the third consecutive year.

The plant has been working without any reportable accidents since commissioning of the plant and has achieved 4393 mandays as of 31.03.2002. Safety audit was conducted by engaging an external agency. Periodical training classes related to safety aspects are being conducted and excellent green belt is developed and being maintained.

By process improvements and debottlenecking of the Plant & Machinery with in-house expertise, the plant production capacity has been enhanced and the Air/Water consent for 8400 TPA was obtained from Tamilnadu Pollution Control Board.

The plant has successfully implemented Environmental Management System and got ISO 14001 certification, accredited by M/s. DNV, Netherlands. The plant has also upgraded its ISO 9002 Quality Management System to ISO 9001-2000 Standards and has well documented procedures and manuals. The plant has implemented the Computer Aided Maintenance Management System and is in the process of implementing process optimisation.

The Company had filed application to Designated Authority, Ministry of Commerce and Industry for imposition of Anti Dumping Duty on PIB being imported. Subsequent to the investigation and pending final findings, the designated authority has imposed a provisional anti dumping duty on imports of PIB which resulted in reduction of PIB imports at cheaper price. This had helped the plant to achieve higher capacity utilisation.

E. NITROAROMATICS

The Chlorobenzene plant was operated for five months (till August 2001) and produced 1027 MT of products. Production activities could not be continued due to poor market off-take and low price realisation. NCB plant and Amination plant were not operated this year also. The Hydrogenation plant was operated to produce 23 MT of OCA.

F. NITRIC ACID

The Plant remained shut down throughout the year.

BIFR

In accordance with Board for Industrial and Financial Reconstruction (BIFR) directions, the company has once again submitted revised package to ICICI, the Operating Agency, for its consideration during March 2002. The BIFR in its meeting held on 07.05.2002 has recommended winding up of the company to the Madras High Court, since the financial institutions have not agreed for the company's proposal. The company has filed an appeal to Appellate Authority for Industrial and Financial Reconstruction (AAIFR) and the matter is pending for decision.

AUSTERITY MEASURES

Cost reduction measures have been taken in all areas wherever possible.

Efforts are being taken to reduce the operational cost levels all around. During this year in our Sugar Unit at Kattur, manpower has been brought down through voluntary retirement scheme.

DIRECTORS

Mr.P S Gopalakrishnan and Dr.P S Manisundaram retire by rotation at this Annual General Meeting and being eligible offer themselves for reappointment. Mr. M. Sreenivasa Rao, Director, resigned from the Board with effect from 27th July, 2001. Dr. P. Marutha Pillai, ceased to be Director with effect from 25th October, 2001 due to his demise. Mr. V. Chandok, Nominee Director representing ICICI ceased to be Director on 7th December, 2001 due to withdrawal of his nomination by ICICI. The Board of directors appreciates the valuable services rendered by Mr. M. Sreenivasa Rao, Dr. P. Marutha Pillai and Mr. V. Chandok during their tenure as directors.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. That they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, particularly in respect of interest on loan as stated in note 4 (c) of schedule 16, 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 loss of the company for that period;



REPORT OF THE DIRECTORS TO THE MEMBERS

3. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and;
4. That they have prepared the annual accounts on a going concern basis as stated in note 1 and 2 of schedule 16 - notes on accounts.

CORPORATE GOVERNANCE

A separate report on Corporate Governance alongwith Auditor's Certificate on its compliance is attached as Annexure to this report.

DEPOSITS

The Company has not accepted/renewed any deposits during the year. One deposit of Rs.100 lakhs matured in January 1999, out of this Rs.75 Lakhs which remained unpaid as on 31.03.2002 pending rehabilitation package to be approved by BIFR. The deposit was paid in full on 02.07.2002 as directed by BIFR. Two Deposits amounting to Rs.23,000/- remain unclaimed since the year 1998.

AUDITORS

M/s Fraser & Ross, Auditors of the Company retire at this Annual General Meeting & are eligible for reappointment. The appointment of auditors has to be made by a Special Resolution pursuant to Section 224A of the Companies Act, 1956.

COST AUDIT

The Company's Cost records in respect of Sugar is being audited by Mr.L.S.Sathiamurthi, who was appointed by the Board as Cost Auditor with the approval of the Central Government.

DISCLOSURE UNDER SECTION 217 OF THE COMPANIES ACT, 1956

During the year no employee had drawn salary in excess of the amounts prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 Information required under Section 217(1)(e) of the Companies Act, 1956 is appended.

SUBSIDIARY COMPANIES

Pursuant to section 212 of the Companies Act, 1956, the audited accounts and the Directors Reports of the Subsidiary Companies namely viz. Kothari International Trading Limited & Kothari Biotech Limited are furnished along with the accounts of this Company.

AUDITORS' OBSERVATIONS:

Sl. No.	Reference in the Auditors' Report	Reply
1	Point No. 2(a) and 2(b) of the main report	Please refer serial no. 1 & 2 of notes on accounts (Schedule 16) for explanation which are self-explanatory.
2	Point No. 2(h) of the main report	With reference to Auditors' observation in para 2(h) of the report, it is clarified that though the disqualification provision contained in sec.274(1)(g) of the Companies Act, 1956, is applicable to Dr.Bansi Dhar, he does not retire by rotation this year. As such, he can continue as a director of the company till the date of his re-appointment.
3	Point no. 15 of the Annexure to the Auditors' Report.	The inadvertent delays in remittance of Provident Fund Dues and Employees State Insurance dues in respect of two months at Manali Plant are due to intervening holidays.
4	Point no. 16 of the Annexure to the Auditors' Report.	The appeal before AAIFR is pending, and once the rehabilitation package of the company is approved, the company will discharge the purchase tax and sales tax liabilities in accordance with the rehabilitation package.
5	Point no. 18 of the Annexure to the Auditors' Report.	Against the recommendation of BIFR for winding up of the company under Section 20(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) of BIFR, the company has preferred an appeal under Section 25 of SICA in AAIFR which is pending. Please refer serial no. 1 of notes on accounts (Schedule 16).

ACKNOWLEDGEMENT

The Board of Directors acknowledge the fullest co-operation and support extended by the employees, suppliers and customers. Directors also wish to place on record their appreciation of the support and co-operation they have received from Financial Institutions, Banks, Central and State Governments.

Place : Chennai
Date : 24th August 2002

On Behalf of the Board
for KOTHARI SUGARS AND CHEMICALS LIMITED
B.H. KOTHARI
Chairman and Managing Director

REPORT OF THE DIRECTORS TO THE MEMBERS

ANNEXURE "A"

PARTICULARS AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

CURRENT YEAR (APRIL-2001 TO MARCH-2002)

A. POWER AND FUEL CONSUMPTION	Sugar Unit	Distillery Unit	Karaikal Unit	Manali Unit	Nitric Acid Unit
1. Electricity					
a. Purchased					
Unit in KWH	829772	758917	1142400	3469890	N.A.
Total Amount Paid (Rs.)	5575157	4043150	2766985	14008711	—
Rate per unit (Rs.)	6.72	5.33	2.42	4.04	—
b. Own Generation through Diesel					
Generator Unit in KWH	11776	N.A.	15705	317039	N.A.
Unit per Litre of Diesel	3.00	—	2.42	3.53	—
Cost per Unit (Rs.)	6.00	—	6.29	4.82	—
c. Power generated through					
steam turbine Unit in KWH	33105900	756960	N.A.	N.A.	N.A.
Unit per litre of fuel	0.24	3.99	—	—	—
Cost per unit (Rs.)	2.74	2.38	—	—	—
2. Coal (specify quantity and where used)	N.A.	N.A.	N.A.	N.A.	N.A.
Quantity (tonnes)	—	—	—	—	—
Total cost (Rs.)	—	—	—	—	—
Average Rate (Rs.)	—	—	—	—	—
3. Fuel Oil					
Quantity (kilolitres)	N.A.	189,916	2,872	1130.253	N.A.
Total Cost (Rs.)	—	1799433	21139	9747726	—
Average Rate / litre (Rs.)	—	9.47	7.36	8.62	—
4. Natural Gas					
Quantity M3	N.A.	N.A.	2214010	N.A.	N.A.
Total Cost (in Rs.)	—	—	13781876	—	—
Average Rate per M3 (Rs.)	—	—	6.22	—	—
B CONSUMPTION PER UNIT OF PRODUCTION					
Products (with details)	SUGAR	ALCOHOL	MCB/OCA	POLYBUTENE	CNA/WNA
Electricity (Unit per MT/LIT)	35.49	0.25	2821	520.719	—
in KWH	per ton of cane	per litre of alcohol			

NOTE :

1. Nitric Acid Plant is non-operational throughout the year. Hence required information could not be furnished.
2. There is no production of PNCB & ONCB during the year 2001-2002.
3. N.A. means Not Applicable

**REPORT OF THE DIRECTORS TO THE MEMBERS****B. TECHNOLOGY ABSORPTION****FORM B**

(Form for disclosure of Particulars with respect to Technology Absorption)

Research and Development (R & D)

The Company adopts the following R & D measures :

1. High Sugar variety cane development activities are being implemented to increase the sugar recovery.
2. Studies were conducted to increase the yield of PIB by water addition to reaction and with higher Isobutylene content in the Feed and results found to be positive.

Expenditure on R & D**Rs. in Lakhs**

a. Capital	:	Nil
b. Revenue	:	Nil
c. Total	:	Nil
d. Total R & D as percentage of turnover of the Company	:	Nil

Technology absorbtion, adaption and innovation :

Efforts on brief, made towards technology absorption, adaption and innovation and benefits as a result thereof :

Development of Hi-pure OCA for MOCA industries.

High Pure OCA of purity 99.97% and Colour : 10 APHA was developed by certain innovative changes in the plant.

With in-house expertise, high purity MOCA grade Ortho Chloro Aniline was developed and produced in Karaikal.

Information regarding imported technology

Product	Technology from	Year of Import	Status of implementation absorption
Hydrogenation	Biazzi SA	1995	Under absorption
Sugar	Amcane International - USA	1995	Under Litigation

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange used and earned

Rs. in Lakhs

a. Total Foreign Exchange earned	:	1243.54
b. Total Foreign Exchange used	:	21.73