

**CORPORATE INFORMATION**

<b>Board of Directors</b>	:	B.H.Kothari - Chairman & Managing Director Dr.P.S.Mani Sundaram P.S.Gopalakrishnan V.R. Deenadayalu N.Chandramouli
<b>Company Secretary</b>	:	R.Prakash
<b>Statutory Auditors</b>	:	R.Subramanian and Company Chartered Accountants, No.6, Krishnaswamy Avenue, Luz, Mylapore, Chennai - 600 004
<b>Internal Auditors</b>	:	K.R.Sarangapani & Co. Chartered Accountants, Chennai - 600 083  V.P. Mukundan & Associates Chartered Accountants, Chennai - 600 004
<b>Cost Auditor</b>	:	K.Suryanarayanan
<b>Legal Advisors</b>	:	S.Ramasubramaniam & Associates Advocates, Chennai - 600 004
<b>Registered Office</b>	:	"Kothari Buildings" No.115, Mahatma Gandhi Salai Nungambakkam Chennai - 600 034 Phone Nos.044 - 30281595, 30225507, Fax No.044-28334560
<b>Registrar &amp; Share Transfer Agents</b>	:	M/s. Cameo Corporate Services Limited Subramanian Buildings No.1, Club House Road Chennai - 600 002 Phone Nos.: 044 - 28460390 to 28460394 Fax No.: 044 - 28460129 Email : investor@cameoindia.com
<b>Listing</b>	:	The National Stock Exchange of India Limited (NSE), Mumbai
<b>Stock Code</b>	:	<b>KOTARISUG</b> - ISIN No.INE419A01022
<b>Manufacturing Units</b>		

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Kattur	Kattur Railway Station, Lalgudi Taluk, Trichy District, Tamilnadu - 621 601
Sathamangalam	Sathamangalam Village, Vetriyur Post, via - Keezhapalur, Ariyalur Taluk, Perambalur District, Tamilnadu - 621 707

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**KOTHARI SUGARS AND CHEMICALS LIMITED**

**NOTICE**

Notice is hereby given that the 49<sup>th</sup> Annual General Meeting of Kothari Sugars & Chemicals Limited will be held on Tuesday, 21 September 2010 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 Accounts for the year ended March 31, 2010 together with Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Dr.P.S.Mani Sundaram, who retires by rotation and being eligible offers himself for re-appointment.
3. Appointment of Auditors

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

**“Resolved** that subject to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. R. Subramanian and Company, Chartered Accountants, Chennai, the retiring Auditors be and are hereby appointed as Auditors of the Company, to hold Office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board”.

By order of the Board  
for **Kothari Sugars and Chemicals Limited**

Place: Chennai  
Date : August 11, 2010

**R. Prakash**  
Company Secretary

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## 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. A Member or Proxy should fill the enclosed attendance slip and deposit the same at the entrance of the meeting hall.
3. Share Transfer books and Register of Members will remain closed from Wednesday, 15 September 2010 to Tuesday, 21 September 2010, (both days inclusive).
4. Members holding shares in dematerialized form are requested to intimate any change in their address etc. to their respective Depositories Participants and those holding shares in physical form should intimate the above changes to the Registrars and Transfer Agents, M/s. Cameo Corporate Services Limited, No.1, Club House Road, Chennai- 600 002.
5. Members are requested to bring copies of their Annual Reports, as no additional copies will be provided.
6. Members who are still holding shares in physical form are advised to dematerialize their shareholding to avail of the benefits of de-materialization which include easy liquidity since trading is permitted only in dematerialized form, electronic transfer, savings in stamp duty, prevention of forgery, etc.

### ANNEXURE TO THE NOTICE

THE INFORMATION IN RESPECT OF ITEM NO.2 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. 2
Name of the Director	Dr. P.S. Mani Sundaram
Date of Birth	09-12-1927.
Date of Appointment	19-11-1996.
Qualification	B.A., B.E., M.Eng., Ph.D., D.Eng.
Experience in specific functional areas	He was former (first) Principal, A.C.College of Engg & Tech, Karaikudi and Regional Engineering College (NIT), Trichy and Former (first) Vice Chancellor, Bharathidasan University. He has extensive Technical experience in the Engineering field including Education.
List of other Companies in which Directorship held	Nil
Chairman/ Member of the Committee of the Board of Director of the Company	1. Audit Committee - Member 2. Share Transfer cum Shareholder Grievances Committee - Member 3. Remuneration Committee - Member
Number of Shares held in the Company (both own or held by/for other persons on a beneficial basis) as on March 31, 2010	Nil

Place : Chennai  
Date : 11th August, 2010

By Order of the Board  
for **Kothari Sugars & Chemicals Limited**

**R. Prakash**  
Company Secretary

**To the Members**

The Directors present the 49<sup>th</sup> Annual Report of the Company together with the audited statement of accounts for the year ended March 31, 2010.

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

**Financial Highlights**

(Rs. in Lakhs)

Description	2009-2010	2008-2009
Profit/(Loss) before Interest and Depreciation	<b>3,807.06</b>	2385.69
Interest	<b>528.70</b>	545.71
Depreciation	<b>1,356.76</b>	1297.67
Profit / (Loss) Before Exceptional Items	<b>1,921.60</b>	542.31
Exceptional items	–	427.52
Profit/(Loss) Before Tax	<b>1,921.60</b>	114.79
Tax Adjustments	<b>782.81</b>	13.32
Fringe Benefit Tax	-	17.30
Profit / (Loss) after Tax	<b>1,138.79</b>	84.17
Transfer to Debenture Redemption Reserve	<b>75.00</b>	75.00
Transfer to Capital Redemption Reserve	<b>207.71</b>	9.17
Profit / (Loss) after Appropriation	<b>856.08</b>	--

Your Directors are pleased to report that the company has made a profit after tax of Rs.1138.79 Lakhs.

**Operations and Performance****Performance**

The Company's gross income was Rs.34,859 Lakhs for the year ended March 31, 2010 as against Rs.27,568 Lakhs for the last year and profit after tax of Rs.1,138.79 Lakhs compared to Rs.84.17 Lakhs, of last year.

**a. Sugar**

Due to lower sugar production during the last sugar season, the sugar prices in the domestic market was continuously rising and the industry offered high and remunerative cane price to bring back the farmers to growing cane.

The Plant at Kattur had crushed 7,44,232 MTs in 2009-10 with a recovery of 8.90% as against 4,52,491 MTs in 2008-09 with a recovery of 10.27%.

The Plant at Sathamangalam crushed 2,62,748 MTs in 2009-10 with a recovery of 8.34% as against 5,93,134 MTs in 2008-09 with a recovery of 10.46%.

The company has initiated lot of measures to improve the efficiency of these units to achieve better yield.

Cane volumes improved despite drought-like conditions prevailed in some parts of the cane area and Sugar recovery had dropped due to adverse cane quality. The cane price for sugar season 2009-10 was fixed higher after negotiation with cane growers @ Rs.1,740 per MT besides, subsidizing the full transport cost from cane growers' field to the factory. This is higher than the FRP (Fair and Remunerative Price) of Rs.1,298.40 per MT and SAP (State Advised Price) of Rs.1,537.40 per MT.

**b. Co-generation**

Your Company had operated Co-generation plant at Sathamangalam for a longer period in 2009-10 by using coal and generated more power and exported 71,761 MWH of power to the grid through a third party, M/s Power Trading Corporation (PTC).

Total power exported at Kattur was 18,697 MWH during 2009-10 as against 11,455 MWH of power exported during 2008-09. At Sathamangalam, the power exported was 1,05,755 MWH during 2009-10 as against 51,439 MWH of power exported during 2008-09.

**c. Distillery**

Alcohol production during the year 2009-10 was 10,618 KL as against 15,695 KL in 2008-09. The Molasses price being very high, the production of Rectified Spirit using the old equipment was not viable. The Distillery operations commenced only in Feb 2010 instead of Dec 2009 and the plant was operated at minimum capacity (50%) till Mar 2010, so that the costlier molasses was retained for consumption in the new distillation plant for better conversion efficiency and profitability.

Our Company has modernised the Distillery plant. A distillation plant of 60 KLPD capacity with MPR Technology has replaced the old atmospheric distillation plant. With this technology, the Company will produce superior quality of Alcohol with lesser energy consumption and losses. The Company will have the flexibility of producing either Rectified Spirit (RS) or Extra Neutral Alcohol (ENA) in any ratio depending on the market situation.

**Awards**

Your Company has been awarded the prestigious '**National Energy Conservation Award**' for the year 2009 in the Sugar sector from the Ministry of Power. It is noteworthy that your company is the only sugar company in the country which has been selected for this coveted award.

The company has also received the best co-generation award during 2009 from South Indian Sugar Cane and Sugar Technologists Associations for the year 2007 - 2008.

**Dividend**

The Directors do not recommend dividend for this year.

**Directors**

Dr.P.S.Mani Sundaram, Director is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

**Directors' Responsibility Statement**

The Directors confirm:

- (i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that they 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 profit of the company for that period;
- (iii) 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;
- (iv) that they have prepared the Annual Accounts on a going concern basis.

**Corporate Governance**

The reports of the Corporate Governance together with the Auditor's Certificate are attached hereto as an Annexure.

## Public Deposits

The Company has not accepted any public deposit during the year and there was no outstanding public deposit any time during the year.

## Re-appointment of Auditors

M/s.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.

## Cost Auditor

Pursuant to section 233B of the Companies Act, 1956, Mr.K.Suryanarayanan, a Practising Cost Accountant, was appointed as Cost Auditor with the approval of Central Government to conduct Cost Audit of the accounts in respect of the product 'Sugar' for the financial year 2009-2010.

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

As required under the provision of sub-section (2A) of the Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, particulars of employees are required to be set out in the annexure to the Directors' Report. However, as per provision of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders excluding the aforesaid information. Any shareholder desirous of obtaining the same may write to the Company Secretary. Information required under Section 217(1)(e) of the Companies Act, 1956 is appended.

## Subsidiary Companies

Pursuant to the approval letter No.47/509/2010-CL-III dated 09 June 2010, issued by the Ministry of Corporate Affairs, New Delhi, attaching the Balance Sheet of the subsidiary company Kothari International Trading Limited is exempted.

The Annual Accounts of Kothari International Trading Limited, subsidiary of your company is kept at registered office for inspection of members during working hours and the same is available in Kothari Sugars & Chemicals Limited, website.

## Acknowledgement

Your Directors thank the Banks, Customers, Debenture Holders, Farmers, Financial Institutions, Government Authorities, Suppliers and Shareholders for their continued support. Your Directors also place on record their appreciation for the committed services by the employees of the Company.

On Behalf of the Board  
for **Kothari Sugars & Chemicals Limited**

Place : Chennai  
Date: August 11, 2010

**B.H.Kothari**  
Chairman and Managing Director

**FORM A**
**PARTICULARS AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956**
**A. POWER AND FUEL CONSUMPTION**

Sl. No.	Particulars	Kattur				Sathamangalam	
		Sugar & Co-gen		Distillery		Sugar & Cogen	
		2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
1.	<b>Electricity</b>						
	a. Purchased Unit	1006000	618600	1018769	2913418	828099	575700
	Total Amount Paid (Rs.)	7424437	6496570	5169609	3240995	5720189	3792251
	Rate per unit (Rs.)	3.50 per unit & 300 Per KVA of MD Charges	3.50 per unit & 300 Per KVA of MD Charges	3.50 per unit & 300 Per KVA of MD Charges	3.50 per unit & 300 Per KVA of MD Charges	6.91	6.59
	b. Own Generation through Diesel			NA	NA		
	Generated Unit in KWH	114030	33600			15616	5423
	Unit per Litre of Diesel	2.8	2.47			2.87	2.99
	Cost per Unit (Rs.)	13	14.25			11.517	11.718
	c. Power generated through	30536126	48305500	1171819	583016	73679000	126176000
	Steam turbine Unit in KWH						
	Unit per ton of fuel	255.3	266	NA	NA	392.95	394.74
	Cost per unit (Rs.)	3.15	3.15	3.15		3.15	3.15
2.	<b>Coal (specify quantity and where used)</b>	NA	NA	NA	NA	NA	
	Quantity (tonnes)						72500.99
	Total cost (Rs.)						267247268
	Average Rate (Rs.)						3686.12
3.	<b>Fuel Oil</b>	NA	NA			NA	NA
	Quantity (tonnes/kiloliters)			955.15	107.02		
	Total Cost (Rs.)			30535180	2846317		
	Average Rate/ litre (Rs.)			31.97	26.6		
4.	<b>Natural Gas</b>	NA	NA	NA	NA	NA	NA
	Quantity M3						
	Total Cost (in Rs.)						
	Average Rate per M3 (Rs.)						
5.	<b>Consumption per unit of production</b>						
	Total in-house consumption (unit)	17693356	27782320	4166683	3496434	22952985	8213631
	Products (Sugars) in Quintal	440450	659850	13397474 Lts	10617414 Lts	566720	228170
	Electricity (Unit per quintal)	40.17	42.10	0.311 unit/Lit	0.329unit/Lit	40.50	35.99

Notes: N.A. - Not Applicable

**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 &amp; D measures:

High Sugar variety cane development activities are being implemented to increase the sugar recovery.

**Expenditure on R & D:**

Nil

Technology absorption, adoption and innovation: Nil

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

(Rupees in Lakhs)

		2009 - 2010	2008 - 2009
(a)	Foreign Exchange earned	60.05	1,796.07
(b)	Foreign Exchange outflow	33.11	20.64



**MANAGEMENT DISCUSSION AND ANALYSIS:****“2009-10” Industry structure and development:**

The domestic sugar stock position remained tight for the second year running. However, the demand supply mismatch showed a reduction, following an increase in sugar production by around 18 to 18.50 million tonnes in Sugar year 2009-10 from 14.50 million tonnes in Sugar year 2008-09 (as against initial estimates made in October 2009 of around 15-16 million tonnes for the sugar year 2009-10), although it is still well short of the domestic off-take of around 23 million tonnes. India remains dependent on imports. While India had imported around 2.50 million tonnes in sugar year 2008-09, the imports for sugar year 2009-10 are expected to go around 4.0 to 5.50 million tonnes.

Food inflation is at an all-time high. Increase in the retail sugar prices by more than 100% saw the government intervening through indirect measures. The Government allowed Import of white sugar @ 0% duty to align the local prices to international sugar prices. The Government of India had increased the levy sugar quota from 10% to 20% of the sugar production from Sugar season 2009-10 and further, the release of Non-levy sugar was changed from fortnightly to weekly basis. Industrial users were pressurised to lower inventory, and heavy checks were put on hoarders. By the end of crushing season, UP Government lifted the ban on imported raw sugar. Most of the inventory had been accumulating at the ports, and post lifting of the ban, markets expected a supply glut situation in the short term. All these factors have led to correction in sugar prices. There has been sharp correction in sugar prices since the peaks seen in January-February 2010. Free sugar prices, which had reached a peak of around Rs.38 to 40/kg have corrected significantly and are currently hovering at Rs.25/kg levels. The prices have corrected by around 45%. This squeezed the company from both ends – high input prices and low realisation for sugar.

This reduction in price is largely being driven by a steep fall in international sugar prices (to which the domestic sugar prices are linked) to less than USD 500 per tonne from over USD 700 per tonne. The fall in international sugar prices followed imbalances in the international supply-demand scenario following lesser demand from India and expectations of higher production in Brazil.

**Opportunities and Threats:**

1. Government support measures, such as upward revision in levy sugar prices and re-imposition of import duties on sugar.
2. Based on feedback from industry regarding sowing and cane availability position, the expected production in sugar season 2010-11 to be around 24-25 million tonnes, thus exerting further pressure on sugar prices.
3. Dependence on State Government policies regarding cane price, and Molasses and the Central government policies on duties and taxes.
4. Agro-Climatic conditions which may lead to heavy rise or fall in sugar production.
5. Sugar cane prices are fixed by the Government of India. The Central Government decides the minimum support price with the Fixed Remunerative price (FRP).
6. Local input prices namely, sugar cane prices have substantially increased by almost 70% in one year.

**Outlook Summary :**

The company's margin will be under pressure in sugar season 2010-11 because of the higher cane price announced by the State Government. Any improvement in prices and profitability will be contingent on government support measures, such as an upward revision in levy sugar prices and re-imposition of

import duties on sugar. However, given the political sensitivities, it is uncertain whether such a move will be made. The estimates for sugar year 2010-11 is around 25 million tonnes which will be marginally higher than the domestic off-take of around 23.50 million tonnes, thus exerting further pressure on sugar prices.

The long term prices and profitability of Indian sugar companies would remain volatile and are dependant on domestic and international supply-demand trends. This in turn would depend on agro-climatic conditions in major sugar producing countries and crude oil price trends, which determine the diversion of cane crop to Ethanol. Consequently, the price trends in international markets would be the key determinant of future profitability. Further, government action in ensuring a rational linkage between cane prices and sugar prices will also be a key to long term viability of sugar operations, especially in States which declare SAP.

**Company's outlook:**

Higher input cost, two-fold increase in levy quota of sugar from 10% to 20% and falling prices will affect the operating margins of sugar segment adversely in the next financial year. In the face of an increased power shortage, co-generation provides an opportunity for sustainable long term revenues and we will be operating our Co-generation unit at Sathamangalam for a longer period in 2010 - 2011 using Coal and by generating more units we can export more to grid through third party to supply around 13,500 Kwh power per month.

To enhance the Extra Neutral Alcohol (ENA) capacity from 10 KLPD to 57 KLPD, the company has taken up modernization of Distillery by converting the 60 KLPD atmospheric distillation plant to Multi pressure distillation production of ENA and this compliment of downstream products will help the Company to face the downward pressures if any, on account of commodity cycles.

**RISKS AND CONCERNS**

**Raw Material risk:**

Fluctuation of Cane price will drastically affect our margin on power export. There is significant fall in cane area resulting from large number of farmers switching over to crops such as Paddy, Wheat, Cotton, Corn etc. Reduced cane yield due to lack of fertilisers & inadequate monsoon rains during the critical cane growth period leads to a lower recovery.

**Risk Mitigation:**

As indicated above, we have already started our initiative towards stopping the farmers from switching over to other crops. To improve the yield, we are recommending the right variety crops and also providing "timely Monetary as well as Technology support".

**Product price risk:**

Sugar being essentially a controlled commodity, its price is also controlled by the Government.

**Risk Mitigation:**

From the last quarter of financial year 2009-10, the prices of sugar and its by-products have all reduced. The by-products like Rectified Spirit/Extra Neutral Alcohol and realisation from Power segment helps to mitigate the risks to a certain extent.

**Competitive risk:**

Some of the existing sugar mills in Tamil Nadu have commissioned their new units/upgraded their facilities which may put some pressure on us.

**Risk Mitigation:**

We may have to face tough competition in the market. The company maintains a very good relationship and is also in constant touch with the farmers, to ensure availability of raw material to the factories.