



Kothari Sugars and Chemicals Limited

50th Annual Report 2010 - 11

CORPORATE INFORMATION

Board of Directors	:	B.H.Kothari - Chairman & Managing Director Dr. P. S. Mani Sundaram P. S. Gopalakrishnan V. R. Deenadayulu N.Chandramouli (Till 19.07.2011)
Company Secretary	:	R.Prakash
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, Chennai – 600 083 V.P.Mukundan & Associates Chartered Accountants, Chennai 600 004
Cost Auditor	:	K.Suryanarayanan Chennai - 600 018
Legal Advisors	:	S.Ramasubramanian & Associates Advocates, Chennai - 600 004
Registered Office	:	“Kothari Buildings” No.115, Mahatma Gandhi Salai Nungambakkam, Chennai - 600 034 Phone No. 044 - 30281595 / 30225507 Fax No. 044 - 28334560
Registrar & Share Transfer Agents	:	M/s. Cameo Corporate Services Limited, Subramanian Buildings, 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	:	KOTARISUG
ISIN No.	:	INE419A01022
Manufacturing Units	:	Kattur Kattur Railway Station Road, Lalgudi Taluk, Trichy District, Tamil Nadu - 621 601 Sathamangalam Sathamangalam Village, Vetriyur Post, Keezhapalur, Ariyalur Taluk, Perambalur District, Tamil Nadu - 621 707

Contents

	Page No.
Notice	4
Directors' Report	7
Management Discussion and Analysis	11
Corporate Governance Report	13
Auditors' Report	19
Balance Sheet	22
Profit and Loss Account	23
Cash Flow Statement	24
Schedules Forming Part of the Balance Sheet	25
Significant Accounting Policies	39
Consolidated Financial Statements	50
Attendance Slip / Form of Proxy	End of the report

Financial Highlights

(₹. In lakhs)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Profitability items					
Gross Income	23,975	27,050	27,568	34,859	28,070
Gross Profit (PBDIT)	2,537	2,592	2,386	3,807	3,273
Profit After Tax (PAT)	1,768	1,001	84	1,139	757
Balance Sheet Items					
Net Fixed Assets	19,119	20,217	20,834	20,763	19,919
Investments	2,174	4,935	1,260	3,823	3,200
Net Current Assets	5,654	3,450	6,273	4,146	6,129
Total Capital Employed	26,947	28,602	28,367	28,732	29,248
Shareholders Funds	9,046	9,972	9,956	10,995	11,652
Ratios					
Book Value per share (Rs.)	11	12	12	13	14
EPS (Rs.)	2.04	1.05	0.10	1.37	0.91

NOTICE

Notice is hereby given that the 50th Annual General Meeting of **Kothari Sugars & Chemicals Limited** will be held on Thursday, 08th September 2011 at 10.30 A.M. at Rani Seethai Hall" No.603, Anna Salai, Chennai - 600 006 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011 and the Profit & Loss Account for the financial year ended on that date along with Auditors' and Directors' Report 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. 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".

Special Business

4. To consider and if thought fit, to pass with or without modifications the following resolution as an **Ordinary Resolution**:

"Resolved that Mr.V.R.Deenadayalu, who was appointed by the Board of Directors on 27.04.2009, pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 99 of the Articles of Association of the Company, as a Director to fill the casual vacancy caused by the resignation of Mr.P.N.Devarajan and who, in terms of section 262, was entitled to hold the office until this annual general meeting, be and is hereby appointed as Director of the Company and is liable to retirement by rotation"

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

Place: Chennai
Date : July 29, 2011

R Prakash
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. 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. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted is annexed hereto.
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 Thursday, 01 September 2011 to Thursday, 08 September 2011, (both days inclusive).
5. Members holding shares in dematerialized form are requested to intimate any change in their address, bank details, 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.
6. Members are requested to bring copies of their Annual Reports, as no additional copies will be provided.
7. 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 and prevention of forgery, etc.

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956**Item No.4**

Mr.V.R.Deenadayalu was appointed as a Director of the Company on 27th April 2009 in the casual vacancy caused by the resignation of Mr.P.N.Devarajan and holds office as Director upto this Annual General Meeting.

Mr.V.R.Deenadayalu has experience of more than 3 decades in the field of Chemicals & Engineering. He was the Chief Executive of BHEL, Trichy for 8 years and was the Chairman & Managing Director of Madras Refineries Limited (currently Chennai Petroleum Corporation Limited). He was the recipient of Sir Jahangir Gandhi medal for Industrial peace instituted by XLRI, Jamshedpur. He was formerly the Chairman of Bharathidasan Institute of Management, Trichy and a Member of the Board of Governors of XIME, Bangalore,

Institute of Energy, Trichy and Xavier Institute of Management, Bhubaneshwar.

The Company has received Notice along with requisite deposit of Rs.500 from a member under Section 257 of the Companies Act, 1956 proposing the candidature of Mr.V.R.Deenadayalu as a Director of the Company.

The Board of Directors considers that in view of the background and experience of Mr.V.R.Deenadayalu, it would be in the interest of the Company to appoint him as a Director of the Company, hence, the Board recommends the resolution for approval of the members.

Mr.V.R.Deenadayalu is interested and concerned in the proposed Resolution. None of the other Directors is interested or concerned in the proposed Resolution.

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, whose address is given in this Annual Report at page 17.

ANNEXURE TO THE NOTICE

THE INFORMATION IN RESPECT OF ITEM NOS.2 & 4 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.2	Item No.4
Name of the Director	Mr.P.S.Gopalakrishnan	Mr.V.R.Deenadayalu
Date of Birth	23.08.1935	24.05.1932
Date of Appointment	12.06.1995	27.04.2009
Qualification	B.Com, LLB	B.E. Mechanical Engineering
Experience in specific functional areas	He has wide experience in the Banking Industry. He was formerly the Chairman of leading Financial Institutions such as (1) The Industrial Finance Corporation of India (2) The Tourism Finance Corporation of India (3) Indian Overseas Bank and (4) Oriental Bank of Commerce He was an Executive Trustee of Unit Trust of India.	He was the Chief Executive of BHEL, Trichy for over 8 years and was the Chairman & Managing Director of Madras Refineries Limited. He was the recipient of Sir Jahangir Gandhi medal for Industrial peace instituted of by XLRI, Jamshedpur. He was the Chairman of Bharathidasan Institute of Management, Trichy and a member of the Board of Governors, of XIME-Bangalore, Institute of Energy-Trichy and Xavier Institute of Management, Bhubaneswar
List of other Companies in which Directorship held	(1) Dharani Sugars & Chemicals Limited (2) Shriram General Insurance Co. Limited (3) Sakthi Finance Limited	Cetex Petrochemicals Limited
Chairman/ Member of the Committee of the Board of Director of the Company	He is the Chairman of the Audit Committee as well as Share Transfer Cum Shareholders Grievances Committee.	Member - Audit Committee Member - Remuneration Committee
Chairman/ Member of the Committee of the other companies in which he is a Director	(1) Dharani Sugars & Chemicals Limited – Member of Audit Committee/ Management and Remuneration Committee. (2) Shriram General Insurance Co. Ltd - Chairman of Investment Committee.	Nil
Number of Shares held in the Company (both own or held by/for other persons on a beneficial basis) as on March 31, 2011	Nil	Nil

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

Place: Chennai
Date: 29th July, 2011

R Prakash
Company Secretary

DIRECTORS' REPORT

To the Members

The Directors present the 50th Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2011.

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

Financial Highlights

(₹. In lakhs)

Description	2010 - 2011	2009 - 2010
Profit before Interest and Depreciation	3,272.53	3,807.06
Interest	648.39	528.70
Depreciation	1,379.27	1,356.76
Profit Before Tax	1,244.87	1,921.60
Tax Adjustments	487.80	782.81
Profit after Tax	757.07	1,138.79
Transfer to Debenture Redemption Reserve	75.00	75.00
Transfer to Capital Redemption Reserve	100.00	207.71
Profit after Appropriation	582.07	856.08

Your Directors are pleased to report that the company has made a profit after tax of Rs.757.07 Lakhs.

Operations and Performance Performance

The Gross total income for the financial year 2010-11 was Rs.28,070.48 lacs as compared to Rs.34,858.81 lacs during the financial year 2009-10. Fall in sugar sales quantity is mainly on account of volatile sugar selling prices which had affected our Gross total income. The profit after tax was Rs.757.07 lacs for the financial year 2010-11 compared to Rs.1138.79 lacs during the financial year 2009-10. The PBT was low mainly due to increase in input cost and high fluctuation in sugar price coupled with low volumes. Division-wise performance of the company is given below:

a. Sugar

During the financial year 2010-11 due to volatility in sugar prices the profitability was lower compared to financial year 2009-10 during which the sugar prices in domestic market was continuously raising. Performances of our two sugar units were as under.

Kattur Unit: The plant at Kattur had crushed 5,01,809 Metric Ton (MTs) of sugarcane with a recovery of 9.03% during 2010-11 as against 7,44,232 MTs during 2009-10 with a recovery rate of 8.90%.

Sathamangalam Unit: The Plant at Sathamangalam unit had crushed 1,76,846 MTs of sugarcane with a recovery

of 8.86% in 2010-11 as against 2,62,748 MTs in 2009-10 with a recovery rate of 8.34%.

The drop in the cane crushing is mainly due to low availability of sugar cane leading to lower production of Sugar, Bagasse & Molasses which impacted the value chain. The cane price paid to the farmers for the year was Rs.1925.00 per MT of sugar cane compared to Central Government cane price (i.e. Fair and Remunerative Price) of Rs.1391.20 Per MT and State Government., cane price (State Advised Price) of Rs.1900 per MT. In addition to the cane price we have also paid transport subsidy for transporting cane from cane growers' field to the factory, to the farmers.

Your company had taken various measures to improve the quality of sugar cane and sugar yield levels so that both the stakeholders in the business i.e. the farmers and the company would benefit.

b. Co-generation

Power exported during the financial year 2010-11 at Kattur unit was 11,752 Mega Watt (MW) as against 18,697 MW of power during 2009-10. At Sathamangalam unit power exported was 1,23,107 MW during 2010-11 as against 1,05,755 MW during 2009-10. Considering the high demand for power in Tamil Nadu and the good price offered, the Co-generation plant at Sathamangalam had operated and exported 1,06,215 MW of power to the grid through M/s. Power Trading Corporation.

c. Distillery

Alcohol production during the financial year 2010-11 was 16,135 Kilo Liters (KLs) as against 10,618 KLs in 2009-10. The demand for alcohol by the IMFL units in the state remained high and supported the marketing efforts of the company. The ethanol blending programme of the Central Government has not been implemented in the state so far since the State Government has not accorded permission for supply of ethanol to the oil companies, as they are yet to perceive a short fall of alcohol to the potable sector. Despite high fluctuation in molasses prices, systematic planning of our team helped us to procure the good molasses at very competitive prices.

Dividend

The Directors do not recommend dividend for this year.

Directors

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

Mr.V.R.Deenadayalu joined the Board in the Casual Vacancy caused by the resignation of Mr.P.N.Devarajan on April 27, 2009 and he will hold office till the ensuing Annual General Meeting. The Company has received Notices from Members proposing the appointment of Mr.V.R.Deenadayalu as Director of the Company.

Mr.N.Chandramouli, Director resigned from the Board with effect from 20.07.2011. The Board of Directors places on record its appreciation for the valuable services rendered by him.

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, if any.
- (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

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.

Cost Audit

Pursuant to Section 233B of the Companies Act, 1956, Mr.K.Suryanarayanan, a Practising Cost Accountant, was appointed as Cost Auditor for the year 2011 - 2012.

Filing of Cost Audit Report

Particulars	2010 - 2011	2009 - 2010
Due Date	30.09.2011	30.09.2010
Actual Date	(Target) 25.09.2011	27.09.2010
Cost Auditor Details	Mr.K.Suryanarayanan, M.No.24946, Chennai	Mr.K.Suryanarayanan M.No.24946, Chennai
Audit Qualification in Report	NA	None

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 as 'Annexure I' in the next page.

Subsidiary Companies

Ministry of Corporate Affairs (MCA) has recently issued a General Circular No.2/2011 dated 8th February, 2011 that the accounts of the subsidiary company need not be attached along with the accounts of the holding company as required by Section 212 of the Companies Act, 1956 upon fulfilling certain conditions stipulated in the said circular. Therefore, Annual Accounts of the Subsidiary Company M/s.Kothari International Trading Limited for the year ended 31st March 2011 is not attached herewith.

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 and Chemicals Limited website : www.hckotharigroup.com/kscl

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: July 29, 2011

B.H. Kothari
Chairman and Managing Director