

## CORPORATE INFORMATION

<b>Board of Directors</b>	:	<b>B.H.Kothari - Chairman &amp; Managing Director</b> Dr. P. S. Mani Sundaram P. S. Gopalakrishnan V. R. Deenadayalu
<b>Company Secretary</b>	:	<b>R.Prakash</b>
<b>Statutory Auditors'</b>	:	<b>R. Subramanian and Company</b> Chartered Accountants, No.6, Krishnaswamy Avenue Luz, Mylapore Chennai - 600 004.
<b>Internal Auditors</b>	:	<b>(a) K.R.Sarangapani &amp; Co.</b> Chartered Accountants, No. 28/1, Anjuham Nagar, 1 <sup>st</sup> Street, Jafferkhanpet, Chennai - 600 083 <b>(b) V.P.Mukundan &amp; Associates</b> Chartered Accountants, No. 233/1, Kutchery Road, Mylapore, Chennai - 600 004
<b>Cost Auditor</b>	:	<b>K.Suryanarayanan</b> Flat A, Brindhavan Apartments, No.1, Poes Road, 4 <sup>th</sup> Street, Teynampet, Chennai - 600 018
<b>Legal Advisors</b>	:	<b>S.Ramasubramanian &amp; Associates</b> Advocates, No.6/1, Bishop Wallers Avenue (West) Mylapore, Chennai - 600 004
<b>Registered Office</b>	:	<b>"Kothari Buildings"</b> No.115, Mahatma Gandhi Salai Nungambakkam, Chennai - 600 034 Phone No. 044 - 30281595 / 30225507 Fax No. 044 - 28334560
<b>Registrar &amp; Share Transfer Agents</b>	:	<b>M/s. Cameo Corporate Services Limited,</b> 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
<b>Listing</b>	:	<b>The National Stock Exchange of India Limited (NSE),</b> Mumbai
<b>Stock Code</b>	:	<b>KOTARISUG</b>
<b>ISIN No.</b>	:	INE419A01022
<b>Manufacturing Units</b>	:	<b>Kattur</b> Kattur Railway Station Road, Lalgudi Taluk, Trichy District, Tamil Nadu - 621 706  <b>Sathamangalam</b> Sathamangalam Village, Vetriyur Post, Keezhapalur, Ariyalur Taluk, Perambalur District, Tamil Nadu - 621 707

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## Financial Highlights

(₹. In lakhs)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Profitability items</b>					
Gross Income	27,568	34,859	28,115	32,684	44,091
Gross Profit (PBDIT)	1,959	3,807	3,273	3,662	4,133
Depreciation	1,298	1,357	1,379	1,315	1,689
Profit Before Interest & Tax	661	2,451	1,894	2,347	2,444
Interest	546	529	648	467	529
Profit Before Tax	115	1,922	1,246	1,880	1,915
Income Tax	31	316	235	374	367
Deferred Tax	-	467	253	664	687
Profit After Tax	84	1,139	757	841	861
<b>Balance Sheet Items</b>					
Net Fixed Assets (incl. CWIP)	20,834	20,763	19,919	20,764	22,736
Investments	1,260	3,823	3,200	656	838
Net Current Assets	6,273	4,146	4,984	4,427	4,030
Total Capital Employed	28,367	28,732	26,124	26,098	27,604
Shareholders Funds	9,956	10,995	11,652	12,393	13,155
<b>Others</b>					
Book Value per share (Rs.)	12	13	14	15	16
EPS (Rs.)	0.10	1.37	0.91	1.01	1.04

### **NOTICE to the Members**

Notice is hereby given that the 52<sup>nd</sup> Annual General Meeting of Kothari Sugars & Chemicals Limited will be held on Friday, 6<sup>th</sup> September 2013 at 10.15 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 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 appoint a Director in the place of Mr.V.R.Deenadayalu, 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. Re-appointment of Mr.B.H.Kothari, as Chairman and Managing Director

To consider and if thought fit to pass with or without modification the following resolution as Special Resolution.

"Resolved that pursuant to provision of Section 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 as amended or re-enacted from time to time, read with Schedule XIII of the Companies Act, 1956 and in supersession of earlier resolution passed, the Company hereby approves the re-appointment of Mr.B.H.Kothari as Chairman and Managing Director of the Company for a period of 5 years from October 01, 2013 to September 30, 2018, who shall not be liable to retire by rotation and upon the terms and conditions as set out below including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year, with liberty to the Board of directors to alter and vary the terms and conditions of the said appointment in terms of Schedule XIII of the Companies Act, 1956."

##### a) Salary:

Rs.4,00,000/- (Rupees Four Lacs Only) per month.

##### b) Perquisites:

- i. Perquisites like use of car with driver, personal accident insurance, medical insurance, leave travel concession and other benefits will be provided in accordance with the rules of the Company.
- ii. Use of Telephone at residence for Company's purpose.
- iii. Leave Encashment as per the company's policy from time to time.
- iv. The perquisites will be evaluated as per Income Tax Rules, wherever applicable and in other cases at actual cost to the Company.

##### c) Contribution to Funds:

Company's Contribution to Provident Fund and Super Annuation Fund to the extent these singly or put together are not taxable under the Income Tax Act, 1961 and gratuity at the rate not exceeding 15 days salary for every completed year of service.

**"Resolved further that** Mr. B.H.Kothari, Chairman and Managing Director shall be paid in addition to the salary, commission @ 4% of the net profits, subject to the condition that the overall remuneration payable to him including commission shall not exceed 5% of the net profits of the Company for the financial year computed in the manner prescribed under Companies Act, 1956 during the currency of his tenure as Managing Director."

**"Resolved further that** in the event of there being inadequacy or absence of profits in any financial year during the currency of the tenure of the Managing Director, the above remuneration (consisting of Salary as per (a) and Perquisites as per (b) (ii) & (iii) and (c) above) shall be treated as minimum remuneration in accordance with Section II of Part II of Schedule XIII of the Companies Act, 1956 or such other limit as may be prescribed by the Government from time to time and shall be paid to him."

**"Resolved further that** the Board of Directors of the company be and is hereby authorized to alter or vary the terms and conditions of said remuneration from time to time so long as it does not exceed the limits specified in Section 198 and 309 of the Companies Act, 1956 or any modification or re-enactments thereof, for the time being in force and also to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to the resolution."

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

**R Prakash**  
Company Secretary

Place: Chennai  
Date: July 26, 2013

**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 authorised 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. The terms set out in the resolution may be treated as an abstract of the terms of the contract between the Company and Mr.B.H.Kothari, Chairman & Managing Director pursuant to Section 302 of the Companies Act, 1956.
5. Share Transfer books and Register of Members will remain closed from Thursday, 29<sup>th</sup> August, 2013 to Friday, 6<sup>th</sup> September, 2013, (both days inclusive).
6. 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.
7. 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.
8. 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.hckotharigroup.com/kscl](http://www.hckotharigroup.com/kscl)
9. The Company has designated an exclusive e-mail id viz. [secdept@hckgroup.com](mailto:secdept@hckgroup.com) to enable investors to register their complaints / queries, if any.
10. 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 copy of PAN card for all the abovementioned transactions.
11. 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 appended below.
12. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business under item No.4 above, is annexed hereto.

**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 DIRECTOR SEEKING RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING ARE FURNISHED HEREUNDER

Particulars	Item No.2	Item No.4
Name of the Director	Mr.V.R.Deenadayalu	Mr.B.H.Kothari
Date of Birth	24.05.1932	11.11.1961
Date of Appointment	27.04.2009	01.07.1982
Qualification	B.E. Mechanical Engineering	B.Com.,
Experience in specific functional areas	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 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, Bhubaneshwar	Mr. B.H. Kothari is the Chairman and Managing Director of the H.C.Kothari Group of Companies, a respected conglomerate founded many decades back. He has more than 30 years of experience in administration and management in the Petrochemical, Sugar and Financial Services industries.  Mr.B.H.Kothari has, in the past, held the positions of President of Hindustan Chamber of Commerce, Chennai. He was the president of The South Indian Sugar Mills Association (SISMA), Indian Sugar Mills Association (ISMA) and Chairman, Consultative Committee of City Chambers of Commerce.  Currently Mr.B.H.Kothari is the Honorary Consul for Austria in Chennai.  Mr.B.H.Kothari is also actively involved in many charitable, educational and social service organizations viz., Shree Vallabhacharya Vidya Sabha, Institute of Financial Management & Research (IFMR), Shankar Netralayaya besides being a Trustee in various charitable institutions.
List of other Companies in which Directorship held	Nil	1. Kothari Petrochemicals Limited 2. Kothari Safe Deposits Limited 3. Gayathri Securities Limited
Chairman / Member of the Committee of the Board of Director of the Company	Member - Audit Committee Member - Remuneration Committee	Share Transfers cum Shareholders Grievances Committee - Member.
Chairman / Member of the Committee of the other companies in which he is a Director	Nil	Kothari Petrochemicals Limited – Share Transfers cum Shareholders Grievances Committee – Member. Kothari Safe Deposits Limited – Share Transfer cum Shareholders Grievances Committee –Chairman
Number of Equity Shares held in the Company (both own or held by/for other persons on a beneficial basis) as on March 31, 2013	Nil	1,72,961

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

Place: Chennai  
Date: July 26, 2013

**R Prakash**  
Company Secretary

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No.4**

Mr.B.H.Kothari has been re-appointed as the Chairman & Managing Director of the Company for a period of 5 (five) years with effect from October 01, 2013 to September 30, 2018 subject to the shareholders approval.

B.H. Kothari joined the company as a Director in 1982 and became Managing Director in 1986. He has successfully steered the company after it was referred to the BIFR and turning it into a profit making company. He has also been instrumental in the expansion of the activities of the company by setting a second plant at Sathamangalam.

The terms of remuneration were considered and approved by the Remuneration Committee after taking into account the financial position of the company, trend in the sugar and chemical industry, appointee's qualification, experience, past performance and remuneration and then placed before the Board of Directors with the terms of details provided in the relevant resolution.

The Board of Directors of the Company at its meeting held on 26<sup>th</sup> July, 2013 conveyed its approval subject to the shareholders passing a Special Resolution for the above.

**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 elsewhere in this Annual Report.

## DIRECTORS' REPORT

### To the Members

The Directors present the 52<sup>nd</sup> Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2013.

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

(₹. in Lakhs)

Description	2012-13	2011-12
Profit before Interest and Depreciation	4,133.27	3,661.63
Interest	528.74	467.03
Depreciation	1,689.21	1,315.07
Profit Before Tax	1,915.32	1,879.53
Tax Adjustments including Deferred Tax	1,054.00	1,038.22
Profit after Tax	861.32	841.31
Transfer to Debenture Redemption Reserve	75.00	75.00
Transfer to Capital Redemption Reserve	100.00	100.00
Profit after Appropriation	686.32	666.31

Your Directors are pleased to report that the Company has made a profit after tax of Rs.861.32 Lakhs.

### Operations and Performance

#### Performance

The Gross total income for the financial year ended 2012-13 was Rs.44,090.82 lacs as compared to Rs.32,684.11 lacs during the financial year 2011-12. There was overall increase in sale of sugar which includes export sales as well as domestic sales due to sustained demand. However, the net profit has not shown an appreciable increase due to various factors like drop in recovery percentage, increase in cane price and lower export of power. The profit after tax was Rs.861.32 lacs for the financial year ended 2012-13 compared to Rs.841.31 lacs during the financial year 2011-12. Division-wise performance of the company is given below:

#### a. Sugar

Though the sugar price remained stable through out the year, due to lower recovery and high input costs, the profit did not increase substantially.

**Kattur Unit:** The plant at Kattur had crushed 6,04,644 Metric Ton (MTs) of sugarcane with an average recovery of 9.01% during 2012-13 as against 5,78,025 MTs during 2011-12 with an average recovery rate of 9.35%.

**Sathamangalam Unit:** The Plant at Sathamangalam unit had crushed 7,03,911 MTs of sugarcane with an average recovery of 8.83% in 2012-13 as against 5,04,729 MTs in 2011-12 with an average recovery rate of 9.25%.

The increase in cane crushing is mainly due to availability of sugar cane leading to higher production of Sugar, Bagasse & Molasses which impacted the value chain positively. Despite the increase in crushing activity the recovery of sugar has declined due to failure of monsoon and power cuts. The cane price paid to the farmers for the year was Rs.2,250 per MT as fixed by Government of Tamilnadu for the sugar season 2012-13 commencing from October 1, 2012. In addition to the cane price we have also been paying transport subsidy to the farmers for transporting cane from the fields to the factory.

Your company had taken various measures to improve the quality of sugar cane and recovery which included chip bud plantation techniques, drip irrigation, mechanisation of cane harvesting, through cane harvester and continuously imparting training to the farmers so that both the farmers and the company would benefit.

#### Modernisation of Kattur and Sathamangalam Sugar units:

Modernisation works were completed as planned in both the units and the equipments were put into operation from December 2012 in Kattur and from January 2013 in Sathamangalam. The performance of the equipments has been good and therefore we could achieve considerable reduction in the thermal and electrical energy consumption in both the units.



**b. Co-generation**

Power exported during the financial year 2012-13 at Kattur unit was 12,779 Mwh (Mega Watt Hour) as against 11,369 Mwh during 2011-12 and in Sathamangalam unit power exported during 2012-13 was 53,653 Mwh as against 56,720 Mwh during 2011-12. Due to steep increase in cost of imported coal and lower rate per unit offered by TNEB the coal based power generation was not continued. This resulted in lower power generation as compared to the previous year.

**c. Distillery**

Alcohol production during the financial year 2012-13 was 19,486 KLS (Kilo Litres) as against 18,347 KLS in 2011-12. The demand for alcohol by the IMFL (Indian Made Foreign Liquor) units in the State remained high. Despite high fluctuation in molasses prices, the systematic planning of our team helped us to procure good molasses at very competitive prices. Similarly, improved marketing strategy for sale of ENA has also helped us in getting better average realisation.

**Dividend**

The Directors do not recommend dividend for this year.

**BIFR's Status:**

Your company continues to be under BIFR/AAIFR on account of appeal pending before AAIFR to determine the cut off date of the sanctioned scheme which was challenged by the Sales Tax Department of Tamilnadu and the appeal is pending for final disposal.

**Directors**

Mr.V.R.Deenadayalu, 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**

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 re-appointed as Cost Auditor for the year 2013 - 2014.

<b>Filing of Cost Audit Report</b>	<b>2012 - 2013</b>	<b>2011 - 2012</b>
Due Date	27.09.2013	28.02.2013
Actual Date	(Target) 25.09.2013	28.01.2013
Cost Auditor Details	Mr.K.Suryanarayanan, M.No.24946, Chennai	Mr.K.Suryanarayanan, M.No.24946, Chennai
Audit Qualification in Report	Nil	Nil

**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 in 'Annexure I'

**Subsidiary Companies**

Pursuant to Ministry of Corporate Affairs (MCA) General Circular No.2/2011 dated 8<sup>th</sup> February, 2011 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 31<sup>st</sup> March 2013 is not attached herewith.

The Annual Accounts of M/s. Kothari International Trading Limited, subsidiary of your company is kept at the registered office for inspection of members during working hours and the same is also 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 and Chemicals Limited**

Place: Chennai  
Date: July 26, 2013

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