



Kothari Sugars and Chemicals Ltd.,

**53rd Annual Report
2013 - 14**

CORPORATE INFORMATION

Board of Directors	B.H.Kothari - Chairman & Managing Director P.S.Gopalakrishnan V.R.Deenadayalu P.S.Balasubramaniam (w.e.f 08.11.2013) Mrs.Nina Bhadrashyam Kothari (w.e.f.27.05.2014)
Company Secretary	R.Prakash
Chief Financial Officer	R. Krishnan
Statutory Auditors	R.Subramanian and Company Chartered Accountants, No.6, Krishnaswamy Avenue Luz, Mylapore, Chennai - 600 004.
Internal Auditors	(a) K.R.Sarangapani & Co, Chartered Accountants, Chennai - 600 083 (b) 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 Email: secdept@hckgroup.com Website: www.hckotharigroup.com/kscl
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
CIN No.	L15421TN1960PLC004310
Manufacturing Units	: Kattur Kattur Railway Station Road, Lalgudi Taluk, Trichy District, Tamil Nadu - 621 706 Sathamangalam Sathamangalam Village, Vetriyur Post, Keezhapalur, Ariyalur Taluk, Perambalur District, Tamil Nadu - 621 707

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Financial Highlights

(₹. In lakhs)

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Profitability items					
Gross Income	33,274	44,091	32,684	28,115	34,859
Gross Profit (PBDIT)	3,011	4,133	3,662	3,273	3,807
Depreciation	1,610	1,689	1,315	1,379	1,357
Profit/ (Loss) Before Interest & Tax	1,401	2,444	2,347	1,894	2,451
Interest	942	529	467	648	529
Profit/ (Loss) Before Tax	459	1,915	1,880	1,246	1,922
Income Tax	59	367	374	235	316
Deferred Tax Expenses	121	687	664	253	467
Profit/ (Loss) After Tax	279	861	841	757	1,139
BALANCE SHEET ITEMS					
Net Fixed Assets (incl.CWIP)	22,445	22,736	20,764	19,919	20,763
Investments	1,583	838	656	3,200	3,823
Net Assets (Current / non current)	3,757	4,030	4,427	4,984	4,146
Total Capital Employed	27,785	27,604	26,098	26,124	28,732
Shareholders Funds	12,849	13,155	12,393	11,652	10,995
OTHERS					
Book Value per share (Rs.)	16	16	15	14	13
EPS (Rs.)	0.34	1.04	1.01	0.91	1.37

DIRECTORS' REPORT

To the Members

The Directors present the 53rd Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2014.

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

(₹. in Lakhs)

Description	2013-14	2012-13
Profit/(Loss) before Interest and Depreciation	3,010.89	4,133.27
Interest	941.33	528.74
Depreciation	1,609.62	1,689.21
Profit/(Loss) Before Tax	459.19	1,915.32
Tax Adjustments including Deferred Tax	180.47	1,054.00
Profit / (Loss) after Tax	278.72	861.32
Transfer to Debenture Redemption Reserve	75.00	75.00
Transfer to Capital Redemption Reserve	100.00	100.00
Proposed Dividend	414.44	-
Dividend Distribution Tax	70.43	-

Your Directors are pleased to report that despite adverse conditions like drought and low sugar price, your Company could post a net profit of Rs.279 lakhs for the financial year 2013-14.

Operations and Performance

Due to severe drought in Tamil Nadu which has resulted in low recovery of sugar and reduced cane availability, the gross total income for the financial year 2013-14 was only Rs.33,274 lakhs as against Rs.44,091 Lakhs for the financial year 2012-13. In addition to the above, reduced sugar prices along with lower power income and high cost of molasses procurement resulted in a lower net profit of Rs.279 lakhs for the year compared to Rs.861 lakhs for the previous year.

Kothari Sugars and Chemicals Limited Bags National Energy Conservation Award - 2013

Kothari Sugars and Chemicals Limited, Unit-2 at Sathamangalam in Ariyalur District was honoured with the prestigious National Energy Conservation Award for the year 2013 by Ministry of Power, Government of India. Your Company has won the First prize in the Sugar sector for the innovation in energy conservation and utilization of energy. This is the second award for Energy Conservation in the last 5 years. The Award was received by Mr.M.Silvester Goldwin, President - Operations on behalf of the Company from the Honorable President of India Shri Pranab Mukherjee and Honorable Minister of State for Power Shri Jyotiraditya M.Scindia at the grand event in New Delhi on December 16, 2013.

Division-wise performance of the company is given below:

a. Sugar

High cost of Sugar Cane and related inputs together with low sugar price and lower recovery of sugar resulted in lower performance. The drastic reduction in cane availability in the financial year has translated into significant underutilization of the installed capacity of sugar, distillery and cogen units and consequent reduction in profitability.

Kattur Unit: The plant at Kattur had crushed 3,41,824 Metric Ton (MTs) of sugarcane with an average recovery of 8.31% during 2013-14 as against 6,04,644 MTs during 2012-13 with an average recovery rate of 9.01%.

Sathamangalam Unit: The Plant at Sathamangalam unit had crushed 5,36,017 MTs of sugarcane with an average recovery of 8.30% in 2013-14 as against 7,03,911 MTs in 2012-13 with an average recovery rate of 8.83%.

Your company has promoted a number of scientific agricultural practices like chip bud seedling plantation, drip irrigation, wider space plantation, mechanical harvesting etc., which have helped in improving the overall performance of the company.

Your directors would like to place on record their gratitude to the Central Govt. for releasing Interest free loan with two year moratorium and three year repayment period under "Scheme for Extending Financial Assistance to Sugar Units (SEFASU) 2014" to clear the cane arrears of the sugar undertakings and this loan has helped your company to pay the cane payment arrears.

b. Co-generation

Power exported during the financial year 2013-14 at Kattur unit was 5.528 Mu (Million Units) as against 12.779 Mu during 2012-13 and in Sathamangalam unit, power exported during 2013-14 was 35.065 Mu as against 53.653 Mu during 2012-13. The company sold surplus bagasse to Tamil Nadu Newsprint Limited (TNPL) which has helped to reduce the losses in sugar and cogen operations to some extent.

c. Distillery

Alcohol production during the financial year 2013-14 was 15,278 KLs (Kilo Litres) as against 19,486 KLs in 2012-13. The demand for alcohol by the IMFL (Indian Made Foreign Liquor) units in the State remained high. Despite high procurement rate of molasses, the systematic planning of our team helped us to procure good quality molasses to increase the yield. Similarly, improved marketing strategy for sale of ENA has also helped us in getting better average realisation.

BIFR's Status:

Your directors are happy to inform that AAIFR has issued its order in favour of the company to provide reliefs and concessions by waiver of interest, penal interest and penalty on the Sales Tax dues up to the cut off date i.e. 17.06.2004 as per the sanctioned scheme and advised the company to pay Rs.4.22 crores only to Sales Tax Department in two installments. As per the order, the company has already paid Rs.2.11 crores as the first installment by the year end and the final installment of an equal amount will be paid as per the schedule i.e. by June 2014 to Sales Tax Department of Tamilnadu.

Dividend

The Directors recommend a dividend at rate (@ 5%) of Re.0.50 paise (Fifty paise only) per equity Shares of Rs.10/- each for the financial year ended March 31, 2014. If approved by the Members at the ensuing Annual General Meeting to be held on 03rd September, 2014, it will be paid before 02nd October, 2014 to those Members whose names appear in the Company's Register of Members and to those persons whose names appear as Beneficial Owners (as per the details to be furnished by the Depositories in respect of the shares held in dematerialized form) as at the close of business hours on 27.08.2014.

Directors

Late Dr.P.S.Mani Sundaram was associated with Kothari Sugars and Chemicals Limited from 19.11.1996. The Board of Directors records its deep regret on the demise of Dr.P.S.Mani Sundaram and places on record it's appreciation of the valuable services rendered by him during his tenure as a Director of the Company.

Mr.B.H.Kothari, Director is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr.P.S.Balasubramaniam was appointed as a Director in a casual vacancy on November 08, 2013 arising on account of the sudden demise of Dr.P.S.Mani Sundaram, Director on October 26, 2013.

The Board of Directors at its meeting held on May 27, 2014 appointed Mrs.Nina Bhadrashyam Kothari as an Additional Director of the Company to hold office up to the date of the forthcoming Annual General Meeting of the Company and she is eligible for appointment as director by the members.

In accordance with Section 149 and other applicable provisions of the Companies Act, 2013, your Directors Mr.P.S.Gopalakrishnan, Mr.V.R.Deenadayalu and Mr.P.S.Balasubramaniam are seeking appointment as Independent Director for a term of five consecutive years upto 31 March, 2019. Details of the proposal for the appointment of Mr.P.S.Gopalakrishnan, Mr.V.R.Deenadayalu and Mr.P.S.Balasubramaniam are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 53rd Annual General Meeting.

Waiving of Remuneration by Mr.B.H.Kothari, Chairman and Managing Director

Mr.B.H.Kothari, as Chairman & Managing Director was reappointed w.e.f 01.10.2013 to 30.09.2018 by the shareholders on September 06, 2013 with remuneration. The negative performance of the Sugar Industry due to the severe drought, low recovery, reduced cane acreage and depressed sugar prices resulted in low profit for the year 2013-14 and the prospects for the next year is also not encouraging. In this regard, Mr.B.H.Kothari announced in the Board Meeting held on 04.02.2014 that he would waive his remuneration in Kothari Sugars and Chemicals Limited w.e.f. 01 April 2014 and the Board thanked Mr.B.H.Kothari for his gesture.

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

We believe that Corporate Governance is the crux of Shareholder value creation. Our governance practices along with the Auditor's Certificate on its compliance are attached hereto as an Annexure to this report.

Cautionary Statement

Statements in this Report, particularly those which relate to Management Discussion and Analysis as describing the Company's objectives, projections, estimates and expectations may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances.

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, the retiring Auditors, are eligible for re-appointment.

Cost Audit

Pursuant to section 233B of the Companies Act, 1956 and the MCA General Circular No.15/2011 dated 11th April 2011 and subject to the approval of Central Government, the Audit Committee has recommended and the Board of Directors appointed Mr.K.Suryanarayanan, Practising Cost Accountant, as Cost Auditor for the year 2014 - 2015.

Filing of Cost Audit Report	2013 - 2014	2012 - 2013
Due Date	27.09.2014	27.09.2013
Actual Date	(Target) 25.09.2014	23.09.2013
Cost Auditor Details	Mr.K.Suryanarayanan, M.No.24946, Chennai	Mr.K.Suryanarayanan, M.No.24946, Chennai
Audit Qualification in Report	—	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 Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

Information in accordance with 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 8th 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 31st March 2014 is not attached herewith.

The Annual Accounts of 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 on the website of Kothari Sugars & Chemicals Limited.

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: May 27, 2014

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

Annexure - I

Sl. No.	Particulars	Kattur				Sathamangalam	
		Sugar & Co-gen		Distillery		Sugar & co-gen	
		2013-14	2012-13	2013- 14	2012- 13	2013-14	2012-13
1.	Electricity						
	a. Purchased Unit	33,01,600	28,16,100	5,81,244	4,72,927	6,33,839	6,85,017
	Total Amount Paid (Rs.)	2,87,54,599	2,52,90,290	46,70,685	37,38,562	71,45,526	64,66,494
	Rate per unit (Rs.)	Rs.8.71/unit	Rs.8.98/unit	Rs.8.04/unit	Rs.7.91/unit	Rs.11.27/unit	Rs.9.44/unit
	b. Own Generation through Diesel						
	Generator Unit in KWH	8,864	39,248	NIL	NIL	1,739	3,392
	Unit per Litre of Diesel	2.34	2.20	NIL	NIL	2.90	2.89
	Cost per Unit (Rs.)	22.06	20.46	NIL	NIL	17.98	16.28
	c. Power generated through Steam turbine Unit in KWH	2,07,67,500	3,76,69,800	NIL	NIL	5,63,50,000	8,14,91,000
	Unit per ton of fuel	221	237	NA	NA	413	392
	Cost per unit (Rs.)	6.14	4.80	NA	NA	4.78	3.48
2.	Coal (specify quantity and where used)						
	Quantity (tonnes)	NA	NA	NA	NA	17840	316
	Total cost (Rs.)	NA	NA	NA	NA	10,84,15,562	18,09,315
	Average Rate (Rs.)	NA	NA	NA	NA	6,077	5,726
3.	Fuel Oil						
	Quantity (tonnes/kilo liters)	NA	NA	2.85	22.38	NA	NA
	Total Cost (Rs.)	NA	NA	1,35,642	10,64,337	NA	NA
	Average Rate/ litre (Rs.)	NA	NA	47.56	47.56	NA	NA
4.	Natural Gas						
	Quantity M ³	NA	NA	NA	NA	NA	NA
	Total Cost (in Rs.)	NA	NA	NA	NA	NA	NA
	Average Rate per M ³ (Rs.)	NA	NA	NA	NA	NA	NA
5.	CONSUMPTION PER UNIT OF PRODUCTION						
	Total in-house consumption (unit)	1,20,90,004	1,94,61,458	41,77,427	46,80,638	1,36,55,138	1,77,05,547
	Products (Sugars & Alcohol)	2,94,990 Qtl.	5,45,070 Qtl.	1,52,77,605 Litres	1,94,85,920 Litres	4,43,780 Qtl.	6,21,800 Qtl.
	Electricity (Unit)	40.98 Units/Quintal	35.70 Units/Quintal	0.2734 Units/Litres	0.2402 Units/Litres	30.77 Units/Quintal	28.47 Units/Quintal

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):

- High Sugar variety cane development activities are being implemented to increase the sugar recovery.
- Sodic soil reclamation and soil correction to suit cane cultivation.
- Developing model plots to demonstrate to farmers with all good agricultural practices.

Cane Highlights

Technologies like subsurface drip irrigation, wider row planting in 6 ft spacing and transplanting of chip bud seedlings under sustainable sugarcane initiative have been continually implemented to improve the average cane yield per unit area. Satellite mapping of entire command area is taken up to have scientific assessment of land type, soil type, spatial distribution crops and underground water potential.

New initiatives:

Lift irrigation scheme under Co-operative model is being implemented in both Kattur and Sathamangalam units in order to improve the cane plantation.

Technology absorption, adoption and innovation: Nil

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

₹. in Lakhs

S.No.	Particulars	2013-14	2012-13
(i)	Total Foreign Exchange earned	Nil	1331.24
(ii)	Total Foreign Exchange outflow	2.02	25.44

MANAGEMENT DISCUSSION AND ANALYSIS

Indian Industry Performance

The sugar production has reported a decline of 3.6% in sugar year 2013-14 to 24.2 million MT from 25.1 million MT in SY 2012-13. This decline was driven by a weak and delayed monsoon in several key growing areas, making alternative crops, more attractive.

The domestic free sugar price had shown a downward trend between May 2013 and December 2013. This decline was driven by a multiplicity of factors. Post supply pressure from new production until March 2014 and further competition from sugar produced by processing raw sugar (whose

prices remained weak globally) also continued to prevent any rally in sugar prices. During the festive season Oct to Nov 13 too when prices tend to spike traditionally because of demand surge, sufficient stocks (due to mills liquidating old stocks to clear cane arrears) against the demand continued to hold the prices on a lower side.

Indian Industry Outlook 2014 - 15

It is expected that in sugar year 2014-15 the domestic sugar production in India may further decline due to drought and diversion to alternative crops. The lower rain fall in Tamil Nadu is likely to impact sugar production and output is expected to decline by 15%, apart from the domestic sugar prices being on the lower side. While production is expected to decline in SY 2014-15, high opening stock of 8.5 million MT coupled with limited scope for exports with continued low global prices are likely to result in continuation of sugar surplus in the country in SY 2014-15

Above all, the entire South India is affected due to failure of monsoon which resulted in severe drought in most parts of Tamilnadu. Our units which are situated in Tamilnadu will also be facing severe drought conditions which may affect cane availability besides adversely affecting sugar cane yield and recovery.

World Sugar Industry scenario

World sugar market fundamentals were decidedly bearish at the start of the SY 2013-14. World sugar prices continued to follow a down trend in the last 12 months and with lower price volatility, the markets may have to adjust to a third consecutive year of global sugar surplus. Higher global production can be largely attributed to a recovery in output of the world's largest producer, Brazil and high production in European Union, Mexico etc. As a result of all these, world raw sugar prices have fallen by 26% in the last 12 months and white sugar prices by 20%

It is estimated that global sugar consumption has grown by 2.5% in 2013 which is the strongest growth seen in the past 4 years. With consumption rising and production slowly falling, the pace at which the world is building stocks is on the decline.

Strength:

Strong operational and technical team and high level maintenance, ensured that downtime in the plant was very less.

Weakness:

Command area available for the sugarcane cultivation for both the units is not optimal.

Opportunities

Demand for Sugar, Power and Alcohol show an increasing trend.