

**CORPORATE INFORMATION**

|                                             |                                                                                                                                                                                                                                     |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Board of Directors</b>                   | : B.H.Kothari - Chairman & Managing Director<br>G.Narayanaswamy<br>P.N.Devarajan<br>P.K.Rudra<br>N.Chandramouli<br>P.S.Balasubramaniam                                                                                              |
| <b>Company Secretary</b>                    | : S.Sundaramurthy                                                                                                                                                                                                                   |
| <b>Statutory Auditors</b>                   | : R.Subramanian and Company<br>Chartered Accountants,<br>No.6, Krishnaswamy Avenue,<br>Luz, Mylapore, Chennai - 600 004                                                                                                             |
| <b>Internal Auditors</b>                    | : K.R.Sarangapani and Co.<br>Chartered Accountants, Chennai - 600 083                                                                                                                                                               |
| <b>Legal Advisors</b>                       | : S.Ramasubramaniam and Associates<br>Advocates, Chennai - 600 004                                                                                                                                                                  |
| <b>Registered Office</b>                    | : “Kothari Buildings”<br>115, Mahatma Gandhi Salai<br>Nungambakkam, Chennai - 600 034<br>Phone No.044 -30225616 / 30225507<br>Fax No.044 -28334560                                                                                  |
| <b>Registrar &amp; Share Transfer Agent</b> | : Cameo Corporate Services Limited<br>Subramanian Building, 5 <sup>th</sup> Floor<br>No.1, Club House Road<br>Chennai - 600 002<br>Phone No. 044 - 28460390 to 28460394<br>Fax No.044 - 28460129<br>e-mail: investor@cameoindia.com |
| <b>Listing</b>                              | : The National Stock Exchange of India Limited (NSE),<br>Mumbai                                                                                                                                                                     |
| <b>Stock Code</b>                           | : <b>KOTHARIPET</b><br>ISIN No.INE720A01015                                                                                                                                                                                         |

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## **NOTICE TO THE MEMBERS**



Notice is hereby given that the 21<sup>st</sup> Annual General Meeting of Kothari Petrochemicals Limited will be held on Wednesday, September 22, 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 statement of Accounts for the year ended March 31, 2010 and to consider the reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.G.Narayanaswamy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Mr.P.S.Balasubramaniam, who retires by rotation and being eligible offers himself for re-appointment.
4. 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 Petrochemicals Limited**

Place: Chennai  
Date : August 12, 2010

**S Sundaramurthy**  
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. A member or proxy should fill the enclosed attendance slip and deposit the same at the entrance of the meeting hall.
3. All correspondence concerning change of address, transfer of shares etc. may be made to the Registrars and Share Transfer Agents, M/s. Cameo Corporate Services Limited.
4. Share Transfer books and Register of Members will remain closed from Tuesday, 14.09.2010 to Wednesday, 22.09.2010 (both days inclusive).
5. Shareholders 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.

THE INFORMATION IN RESPECT OF ITEM NO.2 & 3 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                                                                                                                                                           | Item No. 3                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of the Director                                                                                                    | Mr.G.Narayanaswamy                                                                                                                                                  | Mr.P.S.Balasubramaniam                                                                                                                                                                                                                                                                                                                                            |
| Date of Birth                                                                                                           | April 27, 1928                                                                                                                                                      | July 12, 1944                                                                                                                                                                                                                                                                                                                                                     |
| Date of Appointment                                                                                                     | October 26, 2005                                                                                                                                                    | September 26, 2003                                                                                                                                                                                                                                                                                                                                                |
| Qualification                                                                                                           | Bachelor of Science (B.Sc.,)<br>Fellow of Institute of Chartered<br>Accounts of India (F.C.A.)                                                                      | Graduate in Commerce (B.Com.)<br>Member of Institute of Chartered<br>Accounts of India (A.C.A.)<br>Member of Institute of Company<br>Secretaries of India (A.C.S.)                                                                                                                                                                                                |
| Experience in specific functional areas                                                                                 | He has experience of more than 5 decades in the Accounting and Auditing profession. He is a senior partner of M/s.Venkatraman & Co. Chartered Accountants, Chennai. | He has over 42 years of experience at Middle and Senior Management levels in the Financial Services Sector. He was the Managing Director of Investment Trust of India Ltd., President of Federation of Indian Hire Purchase Association, Chairman of Equipment Leasing Association of India and Vice President of Asian Leasing Association, representing India." |
| List of other Companies in which Directorship held                                                                      | 1. Southern Electronics Bangalore Private Limited<br>2. Watanmal India Private Limited<br>3. Integral System & Component Pvt. Ltd.                                  | 1. Kothari Safe Deposits Ltd.<br>2. Kothari Biotech Ltd.<br>3. Kothari International Trading Ltd.<br>4. Mahaveer Finance India Ltd.<br>5. Finance Companies Association (India)<br>6. HCK Capital Services Pvt. Ltd.                                                                                                                                              |
| Chairman / Member of the Committee of the Board of Director of the Company                                              | Audit Committee - Chairman                                                                                                                                          | 1.Share Transfer cum Shareholder Grievances Committee - Chairman<br>2.Investment and Credit Approval Committee – Member                                                                                                                                                                                                                                           |
| Chairman / Member of the Committee of the other companies in which he is a Director                                     | Southern Electronics Bangalore Private Limited - Chairman                                                                                                           | Kothari Safe Deposits Limited,<br>1.Share Transfer Committee - Member<br>2.Investment 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                                                                                                                                                                 | 1000 Shares                                                                                                                                                                                                                                                                                                                                                       |

By Order of the Board  
for **Kothari Petrochemicals Limited**

Place: Chennai  
Date : August 12, 2010

**S Sundaramurthy**  
Company Secretary

**To the Members,**

The Directors present the 21<sup>st</sup> Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2010.

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

**1. Financial Performance**

(Rs. in Lakhs)

| Particulars                                 | 2009-10 | 2008-09 |
|---------------------------------------------|---------|---------|
| PBIDT                                       | 921.25  | 434.42  |
| Interest                                    | 30.50   | 36.69   |
| Profit after Interest                       | 890.75  | 397.73  |
| Depreciation & Goodwill                     | 278.68  | 276.60  |
| Profit after Depreciation & Goodwill        | 612.07  | 121.13  |
| Fringe Benefit Tax & Provision for Taxation | 237.11  | 18.48   |
| Profit After Tax (PAT)                      | 374.95  | 102.65  |

**2. Performance for the financial year 2009-10**

The Company has achieved a turnover of Rs.12,179.90 Lakhs for the year ended March 31, 2010 as against Rs.13,984.79 Lakhs for the previous year. The reduction in turnover is on account of intense competition and also lesser realisation. However, the profitability has improved due to reduction in input costs and efficient operations. The Company has achieved Export House status during the current year.

The plant adheres to excellent safety norms and conducts periodical safety & technical audits, training programme on chemical and safety exercises. The entire plant area is covered with green belt and additional efforts for improving the same will continue in the coming years.

Your plant has been operating with both Quality Management System (ISO 9001:2000) and Environmental Management System (ISO 14001: 2004) after a recertification audit was conducted by M/s.Det Naorske Veritas, Germany.

**3. Dividend**

The Directors do not recommend a dividend for this year, in view of the carried forward accumulated losses.

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

As required under the provision of sub-section (2A) of 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 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'

## **5. Public Deposit**

The Company has not accepted any Public Deposit during the year and there was no outstanding deposit anytime during the year.

## **6. Directors**

Mr.G.Narayanaswamy & Mr.P.S.Balasubramaniam, Directors, retire by rotation and being eligible offer themselves for re-appointment.

## **7. Directors' Responsibility Statement**

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards had been followed and there are no material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgment 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 of the profit or loss of the company for that period;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv. that the directors had prepared the annual accounts on a going concern basis.

## **8. Management Discussion and Analysis**

**Kothari Petrochemicals Limited (KPL)** is still retaining the status of the largest Polyisobutene (PIB) manufacturer in India with an installed capacity of 22,000 TPA. Our product has been well recognized in the international market with respect to quality and has been getting fresh enquires / orders from new customer segments.

**Industry Structure & Development:**

Using Iso Butylen rich LPG, Kothari Petrochemicals Limited (KPL) manufactures PIB of various grades to meet the customers specific demand like Rubber, Plastic and Lube oil additives. KPL is also in the process of exploring new grades.

**Outlook:**

PIB is mainly consumed in lubricants and additives, which cater to the automotive industry. After a 15 month period of recessionary trend, there was a sign of improvement of PIB demand from overseas / domestic market during 2009-10.

However as a precautionary measure, unlike during the pre recession period, most of the customers are hesitant to build up the stock of PIB. This trend is expected to continue for one more year and in turn the export sale may not have a significant growth in 2010-2011.

**Opportunities:**

Despite low demand for low molecular weight PIB from automobile and construction industries, KPL could manage to identify new applications with higher molecular weight PIB and started selling good volume in export market. To meet this demand KPL has continuously been on the path to improve the product quality by introducing advanced quality improvement processes at various levels.

As a customer-oriented strategy, KPL has a customer / market specific inventory approach which lends enormous supply security to its customers. Supply Security, International Quality and Impeccable Service have become the core competitive strengths of KPL.

**Threats:**

Currently our Company holds a market share of 70% of the PIB requirement for 2T oil sector. However, in view of the decreasing demand for 2T oil in domestic market, major oil companies apprehend a steep fall in the sale of 2T oil during 2010-11 which is likely to affect our company's sales too.

Global majors like Texas Petro Chem, USA, Daelim, Korea and Poly Butanos, Brazil have completed their expansions and put the additional quantity in the market which has created a awareness of availability of surplus quantity in the market at a very competitive price among the unorganized customers/ traders. Further these competitors and most other international PIB manufacturers have either captive source of feedstock or an adjunct refinery supplying feedstock through pipeline. This gives them a tremendous cost advantage since feedstock constitutes a major portion of the cost of production.

The currency value fluctuation also played a key role for the loss of lot of opportunity for sales in year 2009-2010 and it still continues.

Absence of clear Government policies to protect the exporters from the currency fluctuation is also a worrying factor.

**Risk & Concerns:**

In view of the huge swing in the prices of international crude oil, the raw materials suppliers themselves are unable to quote the prices sufficiently in advance and this has put KPL in a clueless situation to predict the movement of Raw Material Price.

To reduce the higher dependency on a few raw material suppliers, KPL is continuously striving to identify alternate sources for raw material.

The global competitors, mainly from Korea, have extended open credit to their customers in a big way to capture the market to sell the additional volume out of expansion. This has compelled KPL to extend additional credit to customers like Infineum, Soltex etc.

To mitigate the financial risks in global business, KPL as a strategy has covered its exports under a comprehensive ECGC policy. In addition, stringent credit terms are adopted wherever feasible to minimize the credit risks. Considerable amount of due diligence is carried out before accepting customers on open credit terms.

KPL also takes forward foreign exchange cover to hedge against forex fluctuations.

**Internal Control Systems and their adequacy:**

KPL is having a comprehensive system of internal inspection and audit as a check on internal control management systems. The company has appointed an independent firm of Chartered Accountants as Internal Auditors. The reports of such auditor / inspector are being reviewed periodically for further improvement. Cost of Production (COP) sheet, Standard Operation Procedure (SOP), Activity Based Costing (ABC), Safety / Technical Audit are a few such systems in practice.

**Compliance:** The Company has commitment of compliance with the internal audit towards the submissions of various returns and data information as required by the statutory authorities. The Company has an internal audit department, which verifies and administers suitable internal control system.

**Vigilance:** The Audit Committee reviews the report of Internal Audit and expresses ways and means to overcome the lapses, if any, pointed out in the report.

**Corporate Governance:** The Statutory Auditor of the Company has given a certificate to the Board as required under Clause 49 of the Listing Agreement.

**Human Resources / Industrial Relations**

The success of an organization depends predominantly upon its trained and talented resources. Keeping this in mind the organization has initiated various development programmes this year. During the year the organization has implemented initiatives such as 5S, SGA (Small Group Activities) Employees Reward and Recognition programme, Employee suggestion Scheme and other developmental initiatives. During the year employees underwent series of training programmes as part of the developmental initiatives of

the organization. In order to involve the employees in the developmental process we have conducted brainstorming sessions across the units for improving the process and overall development of the organization. The inputs from the employees are carefully examined by a team of senior officials and efforts are on to bring in improvements wherever necessary. The organization looks at the performance of the employees as a key driver of growth and internal talents has been recognized by way of promotions with higher/additional responsibilities.

During the year the Industrial Relations have been cordial, conducive and mutually productive. The total number of employees as on 31st of March 2010 was 95 in respect of Petrochemical operations.

#### **9. 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.

#### **10. Re-appointment of Auditor**

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.

#### **11. Acknowledgement**

The Board acknowledges the co-operation and support extended by the employees, consultants, suppliers, customers and all its business associates.

The Directors place on record their appreciation for the continued support and co-operation they have received from Financial Institutions, Banks, Central and State Governments.

On behalf of the Board  
for **Kothari Petrochemicals Limited**

Place: Chennai  
Date : August 12, 2010

**B H Kothari**  
Chairman and Managing Director

**FORM A**
**Form for disclosure of particulars with respect to conservation of energy**
**MANALI PLANT**
**A. Power and fuel consumption**

| <b>1. Electricity</b>                                      | <b>Current year</b> | <b>Previous year</b> |
|------------------------------------------------------------|---------------------|----------------------|
| <b>(a) Purchased</b>                                       |                     |                      |
| Unit (Kwh)                                                 | <b>48,80,270</b>    | 51,02,960            |
| Total Amount (Rs.)                                         | <b>2,35,20,079</b>  | 2,26,19,873          |
| Rate/unit (Rs.)                                            | <b>4.82</b>         | 4.43                 |
| <b>(b) Own generation</b>                                  |                     |                      |
| (i) Through diesel generator                               |                     |                      |
| Units                                                      | <b>17,32,004</b>    | 22,24,506            |
| Unit per-litre of diesel oil                               | <b>3.31</b>         | 3.24                 |
| Cost/Units                                                 | <b>10.16</b>        | 11.12                |
| (ii) Through steam turbine/generator                       |                     |                      |
| Units                                                      | --                  | --                   |
| Units per-litre of fuel oil/gas                            | --                  | --                   |
| Cost/units                                                 | --                  | --                   |
| <b>2. Coal (specify quality and where used)</b>            |                     |                      |
| Quantity (kilo litres)                                     | --                  | --                   |
| Total cost                                                 | --                  | --                   |
| Average rate                                               | --                  | --                   |
| <b>3. Furnace oil</b>                                      |                     |                      |
| Quantity (kilo litres)                                     | <b>2,215.95</b>     | 2,607.18             |
| Total amount                                               | <b>5,07,37,459</b>  | 6,88,84,912          |
| Average rate                                               | <b>22,895.78</b>    | 24,601.00            |
| <b>4. Others/internal generation (please give details)</b> |                     |                      |
| Quantity                                                   | --                  | --                   |
| Total cost                                                 | --                  | --                   |
| Rate/unit                                                  | --                  | --                   |

**B. Consumption per unit of production**

|                               | <b>Standard (if any)</b> |                  |           |
|-------------------------------|--------------------------|------------------|-----------|
| Products (with details) in MT | --                       | <b>13,197.10</b> | 13,272.50 |
| Electricity (Unit per MT)     | 500                      | <b>499.90</b>    | 552.08    |
| Furnace oil                   | 0.20                     | <b>0.17</b>      | 0.20      |
| Coal (specify quality)        | --                       | --               | --        |
| Others (specify)              | --                       | --               | --        |

**B. TECHNOLOGY ABSORPTION****FORM B****(Form for disclosure of Particulars with respect to Technology Absorption)****Research and Development (R & D) : Nil****Expenditure on R & D : Nil****Technology absorption, adoption and innovation : Nil****C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Total Foreign Exchange earnings and outgo

Rs. in Lakhs

| S.No | Particulars                    | 2009-10         | 2008-09  |
|------|--------------------------------|-----------------|----------|
| (i)  | Total Foreign Exchange earned  | <b>2,635.46</b> | 3,274.11 |
| (ii) | Total Foreign Exchange outflow | <b>34.54</b>    | 31.16    |

**CORPORATE GOVERNANCE REPORT FOR THE YEAR 2009-10**

(As required by Clause 49 of the Listing Agreement of the Stock Exchanges)

**1. Company's Philosophy**

In Kothari Petrochemicals Limited (KPL), the pursuit towards achieving good Corporate Governance is an on-going process, thereby ensuring truth, transparency, accountability and responsibility in all our dealings with customers, dealers, employees, shareholders and with every individual who comes in contact with the Company.

KPL firmly believes that the practice of trusteeship, transparency, empowerment and accountability in all dealings with its stakeholders, which leads to the creation of the right corporate culture, in which the company is managed in a manner that fulfils the purpose of Corporate Governance.

KPL's commitment for effective Corporate Governance continues and the company has always been at the forefront of benchmarking its internal systems and controls within reasonably accepted standards to create long term value for its shareholders.

## 2. Board of Directors

In compliance with the Corporate Governance norms the present strength of the Board is Six, headed by the Chairman & Managing Director, Mr. B.H.Kothari. Except Mr.B.H.Kothari, Mr.N.Chandramouli and Mr.P.S.Balasubramaniam all others are Independent Directors.

Non-executive Directors (NED) are professionals and have vast experience in the field of industry, finance and law representing optimal mix of professionalism, knowledge and expertise. They bring wide range of expertise and experience to the Board.

None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a Director. Necessary disclosure regarding Committee positions in other companies as on 31 March 2010 have been made by the Directors.

The details of composition of the Board, the attendance at Board meetings during the financial year and at the last Annual General Meeting, number of directorships and committee positions held during 2009-10 are furnished in the following table.

| Name of the Director   | Category | No. of Board Meetings Attended | Attendance at previous AGM attended September 18, 2009 | No. of Directorship in other Public Companies | No. of Committee positions (as member / chairman) held in other Public Companies |          |
|------------------------|----------|--------------------------------|--------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------|----------|
|                        |          |                                |                                                        |                                               | Member                                                                           | Chairman |
| Mr.B.H.Kothari         | CMD      | 5                              | Present                                                | 3                                             | 2                                                                                | Nil      |
| Mr.G.Narayanawamy      | INED     | 5                              | Present                                                | Nil                                           | Nil                                                                              | Nil      |
| Mr.P.K.Rudra           | INED     | 5                              | Present                                                | Nil                                           | Nil                                                                              | Nil      |
| Mr.N.Chandramouli      | NED      | 5                              | Present                                                | 2                                             | Nil                                                                              | Nil      |
| Mr.P.S.Balasubramaniam | NED      | 4                              | Present                                                | 5                                             | 2                                                                                | 2        |
| Mr.P.N.Devarajan (**)  | INED     | 3                              | Present                                                | 1                                             | Nil                                                                              | Nil      |
| Mr.V.R.Deenadayalu (*) | INED     | 1                              | NA                                                     | 2                                             | Nil                                                                              | Nil      |

INED - Independent Non Executive Directors & NED - Non- Executive Directors

(\*) Mr.V.R.Deenadayalu, Director resigned on 24<sup>th</sup> April 2009

(\*\*) Mr.P.N.Devarajan was appointed to fill the above casual vacancy on 24<sup>th</sup> April 2009

| BOARD MEETINGS HELD DURING |            |            |            |            |
|----------------------------|------------|------------|------------|------------|
| 24.04.2009                 | 24.07.2009 | 18.09.2009 | 29.10.2009 | 21.01.2010 |

### 3. Committees of the Board

The Board has set up the following Committees as required under Corporate Governance:

#### a. Audit Committee

During the year under review, the Committee met 4 times and the attendance details of Committee Members is as follows:

| Sl.No. | Name of the Member     | Category | Meetings participated |
|--------|------------------------|----------|-----------------------|
| 1.     | Mr. G. Narayanaswamy   | Chairman | 4                     |
| 2.     | Mr.N.Chandramouli      | Member   | 4                     |
| 3.     | Mr.P.K.Rudra           | Member   | 4                     |
| 4.     | Mr.P.N.Devarajan (**)  | Member   | 2                     |
| 5.     | Mr.V.R.Deenadayalu (*) | Member   | 1                     |

(\*) Mr.V.R.Deenadayalu, Director resigned on 24th April 2009

(\*\*) Mr.P.N.Devarajan was appointed to fill the above casual vacancy on 24th April 2009.

#### b. Audit Committee Meetings held during the financial year 2009-2010

| AUDIT COMMITTEE MEETINGS |            |            |            |
|--------------------------|------------|------------|------------|
| 24.04.2009               | 24.07.2009 | 29.10.2009 | 21.01.2010 |

#### c. Board Reference to the Audit Committee

The Auditors of the Company (both Statutory and Internal Auditors) participate in the Audit Committee meetings as also the Finance In-charge and other operational heads, of the Company. The Company Secretary acts as the Secretary of the Audit Committee. The powers and role of the Audit Committee are as specified in clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The Board's terms of reference of the committee includes the following:

- i. To review the internal controls, with the Management and the Auditors and report to the Board together with recommendations thereon.
- ii. To select and establish accounting policies.
- iii. To review the adequacy of internal audit function, staffing, reporting structure and frequency of internal audits.
- iv. To review the Company's financial and risk management policies.
- v. To approve the Quarterly Unaudited Financial Results for publication.

- vi. To review the Management Discussion and Analysis Report.
- vii. To review the related party transactions submitted by the management.

**d. Share Transfer cum Shareholder's Investors / Grievances Committee**

The Share Transfer cum Shareholders' / Investors' Grievances Committee comprises of Messrs P.S.Balasubramaniam, B.H.Kothari and N.Chandramouli to look into redressing of Shareholders' and Investors complaints such as transfer of shares, non-receipt of annual reports etc. Mr.S.Sundaramurthy, Company Secretary, is the Compliance Officer.

During the year under review, the Committee met 12 times and the attendance details of Committee Members is as follows:

| Sl.No. | Name of the Member      | Category | Meetings participated |
|--------|-------------------------|----------|-----------------------|
| 1      | Mr. P.S.Balasubramaniam | Chairman | 11                    |
| 2      | Mr. B.H.Kothari         | Member   | 10                    |
| 3      | Mr. N.Chandramouli      | Member   | 12                    |

**e. Details of the Complaints received from the Shareholder(s) / Department(s) during the Financial Year 2009 - 2010**

| Sl. No. | Subject of Complaints         | Total Complaints received | Complaints redressed | Redress under process at the year end |
|---------|-------------------------------|---------------------------|----------------------|---------------------------------------|
| 1       | Non receipt of Dividend       | 02                        | 02                   | Nil                                   |
| 2       | Transfer of shares            | Nil                       | Nil                  | Nil                                   |
| 3       | Dematerialization matters     | Nil                       | Nil                  | Nil                                   |
| 4       | Non receipt of annual reports | 03                        | 03                   | Nil                                   |
| 5       | Others                        | Nil                       | Nil                  | Nil                                   |
|         | <b>Total</b>                  | <b>05</b>                 | <b>05</b>            | <b>Nil</b>                            |
| 1       | SEBI                          | Nil                       | Nil                  | Nil                                   |
| 2       | Ministry of Corporate Affairs | Nil                       | Nil                  | Nil                                   |
| 3       | National Stock Exchange       | Nil                       | Nil                  | Nil                                   |
| 4       | Registrar of Companies        | 03                        | 03                   | Nil                                   |
| 5       | Consumer forum                | Nil                       | Nil                  | Nil                                   |
|         | <b>Total</b>                  | <b>03</b>                 | <b>03</b>            | <b>Nil</b>                            |

**f. Remuneration Committee**

No Remuneration Committee was constituted by the Company during the financial year 2009-10, since no director was in receipt of any remuneration other than sitting fees.

**4. Directors' sitting fees**

Sitting fees for the Board/Committee meetings for the year 2009-10 and the details are furnished hereunder:

(Amount in Rs.)

| Sl.No. | Name of the Directors    | Sitting fees paid |                 |        |
|--------|--------------------------|-------------------|-----------------|--------|
|        |                          | Board Meeting     | Audit Committee | Total  |
| 1.     | Mr.B.H.Kothari           | 25,000            | NA              | 25,000 |
| 2.     | Mr.G.Narayanaswamy       | 25,000            | 16,000          | 41,000 |
| 3.     | Mr.P.K.Rudra             | 25,000            | 16,000          | 41,000 |
| 4.     | Mr.N.Chandramouli        | 25,000            | 16,000          | 41,000 |
| 5.     | Mr.P.S.Balasubramaniam   | 20,000            | NA              | 20,000 |
| 6.     | Mr.P.N.Devarajan (**)    | 15,000            | 8,000           | 23,000 |
| 7.     | Mr. V.R. Deenadayalu (*) | 5,000             | 4,000           | 9,000  |

(\*) Mr.V.R.Deenadayalu, Director resigned on 24th April 2009

(\*\*) Mr.P.N.Devarajan was appointed to fill the above casual vacancy on 24th April 2009.

**5. Annual General Meeting**

Location and time of last three Annual General Meetings are as under:

| Year        | Venue                                                                         | Date               | Day      | Time       |
|-------------|-------------------------------------------------------------------------------|--------------------|----------|------------|
| 2008-2009   | The Music Academy, Mini Hall, Old No.306, New No. 168 T.T.K. Road, Chennai-14 | September 18, 2009 | Friday   | 10.15 A.M. |
| 2007- 2008  |                                                                               | September 18, 2008 | Thursday | 11.00 A.M. |
| 2006 - 2007 |                                                                               | September 20, 2007 | Thursday | 11.30 A.M. |

**6. Details of Special Resolutions passed during the last three Annual General Meetings**

| Date of AGM  | Whether any Special Resolution was passed | Particulars                                                                                                                       |
|--------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Sep 18, 2009 | Nil                                       | -                                                                                                                                 |
| Sep 18, 2008 | Nil                                       | -                                                                                                                                 |
| Sep 20, 2007 | 01                                        | Appointment of Mr.B.H.Kothari, as Managing Director for a period of 5 years w.e.f. 01.12.2006 to 30.11.2011 without remuneration. |

**7. Postal Ballot**

During the financial year 2009-2010 no Special Resolution was passed through Postal Ballot.

**8. Disclosures**

During the financial year 2009-2010, the Audit Committee and the Board considered periodically the statement of related party transactions with details together with the basis at their meetings. However, the Company had no materially significant related-party transactions, which are considered to have potential conflict with the interests of the Company at large. As required by the Accounting Standard AS-18 and Clause 49(A) of Listing Agreement entered into with NSE, the details of related party transactions are given as a schedule in Notes to accounts, which is forming part of accounts.

There has not been any instance of non-compliance, penalties or strictures imposed by the Stock Exchanges, and / or SEBI on any matter relating to capital markets, in the preceding three years.

The Company has adopted a Code of Conduct for its Directors and Senior Management, which has been posted on the Company's website. The Chairman has given a declaration that the Directors and Senior Management of the Company have affirmed the compliance with the Code of Conduct.

As required under Clause 49 of the Listing Agreement a Certificate signed by the Chairman & Managing Director and Head Finance is attached.

**9. Management Discussion and Analysis Report**

A Management Discussion and Analysis Report, which forms a part of the Directors Report, is annexed hereto.

**10. Communication**

The Quarterly, Half Yearly, Nine Months period and Annual financial results are published in The Financial Express and Malai Murasu, Chennai. The financial results and other important events are also posted in the Company's website at [www.kotharipetrochemicals.com](http://www.kotharipetrochemicals.com). The Half-Yearly financial results are not sent individually to the shareholders.

**11. Shareholder Information**
**Annual General Meeting**

| Day, Date and Time | Wednesday, September 22, 2010 at 10.30 A.M.                                               |
|--------------------|-------------------------------------------------------------------------------------------|
| Venue              | The Music Academy, Mini Hall,<br>Old No.306, New No.168.<br>T.T.K.Road, Chennai - 600 014 |

## 12. Financial Year of the Company

The Financial Year covers the period from 1<sup>st</sup> April to 31<sup>st</sup> March.

Financial Reporting for year 2010-2011 (Tentative)

|                                                             |                                   |
|-------------------------------------------------------------|-----------------------------------|
| Results for Quarter ending 30 <sup>th</sup> June, 2010      | First fortnight of August, 2010   |
| Results for Quarter ending 30 <sup>th</sup> September, 2010 | First fortnight of November, 2010 |
| Results for Quarter ending 31 <sup>st</sup> December, 2010  | First fortnight of February, 2011 |
| Results for Quarter ending 31 <sup>st</sup> March, 2011     | First fortnight of May, 2011      |

## 13. Date of Book Closure

The period of book closure is fixed from Tuesday, 14.09.2010 to Wednesday, 22.09.2010 (both days inclusive)

## 14. Details of the outstanding ADRS/GDRS/WARRANTS OR CONVERTIBLE INSTRUMENTS

Not applicable.

## 15. Listing Particulars

The shares of the Company are listed in The National Stock Exchange of India Limited, Mumbai and the listing fees upto the financial year 2010 - 11 have been paid. (Stock Code – **KOTHARIPET**)

## 16. Market Price Data: High, Low in each month of the Financial Year 2009-2010 on The National Stock Exchange of India Limited.

(Amount in Rupees)

| Month          | High  | Low  | Month         | High  | Low  |
|----------------|-------|------|---------------|-------|------|
| April 2009     | 8.90  | 5.40 | October 2009  | 9.35  | 7.80 |
| May 2009       | 13.70 | 7.50 | November 2009 | 12.70 | 7.00 |
| June 2009      | 15.95 | 9.05 | December 2009 | 10.40 | 8.25 |
| July 2009      | 10.35 | 8.30 | January 2010  | 13.50 | 9.25 |
| August 2009    | 11.25 | 8.55 | February 2010 | 10.35 | 8.75 |
| September 2009 | 10.45 | 8.15 | March 2010    | 9.40  | 7.60 |

## 17. Registrar and Share Transfer Agents

The Registrars and Share Transfer Agents of the Company is M/s. Cameo Corporate Services Ltd., at "Subramanian Building", No.1, Club House Road, Chennai - 600 002.

**18. Distribution of Shareholdings**

| No. of Equity shares held | No. of Shareholders | No. of Shares      |
|---------------------------|---------------------|--------------------|
| Upto 5000                 | 7,769               | 24,11,858          |
| 5001-10000                | 1,839               | 16,59,812          |
| 10001-20000               | 591                 | 9,83,875           |
| 20001-30000               | 196                 | 5,11,164           |
| 30001-40000               | 77                  | 2,91,895           |
| 40001-50000               | 124                 | 6,01,012           |
| 50001-100000              | 127                 | 9,59,777           |
| 100001 and above          | 113                 | 5,14,27,007        |
| <b>Total</b>              | <b>10,836</b>       | <b>5,88,46,400</b> |

**19. Shareholding Pattern**

| Sl. No. | Category               | No. of Holders | No. of shares      | % of Shares   |
|---------|------------------------|----------------|--------------------|---------------|
| 1.      | Resident Indians       | 10,510         | 84,18,119          | 14.31         |
| 2.      | Domestic Companies     | 268            | 69,06,691          | 11.74         |
| 3.      | NRIs                   | 36             | 56,305             | 0.10          |
| 4.      | Promoters              | 12             | 3,87,16,600        | 65.79         |
| 5.      | Directors & Relatives  | 3              | 1,300              | 0.00          |
| 6.      | FII's                  | 1              | 40,500             | 0.07          |
| 7.      | Mutual Funds           | 3              | 54,800             | 0.09          |
| 8.      | Financial Institutions | 3              | 46,52,085          | 7.91          |
|         | <b>Total</b>           | <b>10,836</b>  | <b>5,88,46,400</b> | <b>100.00</b> |

**20. Dematerialization of Shares**

As on March 31, 2010, 5,61,60,240 shares representing 95.43% Company's total shares were held in dematerialized form and the balance shares were held in physical form.

ISIN No.INE720A01015

**21. Plant Location**

Manali No.1/2-B, 33/5, Sathangadu Village, Tiruvottiur - Ponneri High Road, Manali, Chennai - 600 068, Tamil Nadu. Phone Nos. : 044 - 2594 1308 / 1309, Fax No. : 044 - 2594 1524

**22. Contacts**

| <b>Company's Registered Office</b>                                                                                                                                                                                                                        | <b>Company Share Transfer Agent</b>                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Company Secretary<br>Kothari Petrochemicals Limited<br>Kothari Buildings<br>115, Mahatma Gandhi Salai<br>Nungambakkam<br>Chennai - 600 034.<br>Telephone Nos. 044 – 3022 5616, 3022 5507<br>Fax Nos. 044 – 2833 4560<br>e-mail : secdept@hckgroup.com | M/s.Cameo Corporate Services Limited<br>Unit: Kothari Petrochemicals Limited<br>Subramanian Building, 5 <sup>th</sup> Floor<br>No.1, Club House Road<br>Chennai - 600 002<br>Telephone Nos. 044 - 2846 0390 (5 Lines)<br>Fax No. 044 – 2846 0129<br>e-mail: investor@cameoindia.com |

On behalf of the Board  
for **Kothari Petrochemicals Limited**

Place: Chennai  
Date : August 12, 2010

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

**DECLARATION**

As provided under clause 49 of the Listing Agreement with the Stock Exchanges, this is to confirm that all the Members of the Board and the senior management have affirmed compliance with the Code of Conduct for the year ended March 31, 2010.

for **Kothari Petrochemicals Limited**

Place : Chennai  
Date : August 12, 2010

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

**CERTIFICATE UNDER SUB CLAUSE V OF CLAUSE 49 OF LISTING AGREEMENT**

We, B.H.Kothari, Chairman & Managing Director and N.Rangarajathinam, President, Finance-In-Charge of the Company hereby confirm and certify that:

- a. We have reviewed financial statements and the Cash Flow Statement for the year ended March 31, 2010 and that to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee
  - i. significant changes in internal control over financial reporting during the year
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Place: Chennai  
Date : August 12, 2010

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

**N.Rangarajathinam**  
President  
Finance-In-charge

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of Kothari Petrochemicals Limited

We have examined the compliance of conditions of Corporate Governance of M/s. Kothari Petrochemicals Limited, for the year ended March 31, 2010 as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained and certified by the Registrars and Share Transfer Agents of the company, there were no investors' grievances remaining unattended / pending for more than 30 days as at March 31, 2010.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency of effectiveness with which the management has conducted the affairs of the company.

for **R.Subramanian and Company**

Chartered Accountants

Firm No. 004137S

Place: Chennai  
Date: August 12, 2010

**R.Rajaram**  
Partner  
M.No.:25210

**REPORT OF THE AUDITORS TO THE MEMBERS OF KOTHARI PETROCHEMICALS LIMITED**

1. We have audited the attached Balance Sheet of Kothari Petrochemicals Limited as at 31st March 2010 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent they are applicable to the company.
4. Further to our comments in the annexure referred to above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the company, so far as it appears from our examination of such books.
  - c) The Balance Sheet, Profit and Loss account and Cash Flow Statement referred to in this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e) On the basis of the written representations received from Directors and taken on record by the Board of Directors, we report that none of the Director is disqualified as on March 31, 2010 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon and schedules attached thereto, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
    - i) in so far it relates to the Balance Sheet, the state of affairs of the company as at March 31, 2010.
    - ii) in so far it relates to the Profit and Loss account, of the profit for the year ended on that date, and
    - iii) in so far it relates to the Cash Flow Statement, of the Cash Flow for the year ended on that date.

for **R. Subramanian and Company**

Chartered Accountants

Firm No. 004137S

Place : Chennai  
Date : August 12, 2010

**R. Rajaram**  
Partner  
M.No.:25210

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE**

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
2. Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
3. No major asset has been disposed off during the year and hence the concept of going concern is not affected.
4. Inventories were physically verified during the year by the management at reasonable intervals.
5. In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management was reasonable and adequate in relation to the size of the Company and the nature of its business.
6. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
7. The company has not granted any loan secured or unsecured to the companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
8. The company has not taken any loan secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956.
9. According to the information and explanations given to us the advances carry no interest terms and condition of the advances availed during earlier years are not prima-facie prejudicial to the interest of the Company. These advances have no period specified for repayment.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and there was no continuing failure to correct any major weakness.
11. In our opinion and according to the explanations given to us, there are no transactions made in pursuance of contracts or arrangements requiring entry in the registers maintained under Section 301 of the Companies Act, 1956.
12. The company has no fixed deposits requiring compliance of provisions of Section 58 and 58 AA or any other relevant provisions of the Act.
13. The Internal Audit function has been carried out by a firm of Chartered Accountants and is commensurate with the size of the company and the nature of its business.
14. To the best of our knowledge and according to the information and explanations given to us the company's present business does not require the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956.
15. According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues, including Income Tax, Sales Tax and any other statutory dues with the appropriate authorities during the year. The company has no dues towards Provident Fund, Investor Education and Protection Fund, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess.

16. According to the information and explanations given to us, there is no undisputed amount payable towards Sales Tax or Income Tax.
17. According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Wealth Tax, Service Tax, Custom Duty, and Excise Duty, which have not been deposited on account of any dispute.
18. The accumulated losses of the Company have not exceeded fifty per cent of net worth at the end of the year. The Company has not incurred any cash loss during the financial year and the immediately preceding financial year.
19. The Company has no dues to financial institutions, banks and debenture holders during the year.
20. The Company has not granted any loan or advance on the basis of security by way of pledge of shares, debentures and other securities.
21. In our opinion and according to the information and explanations given to us the Company is dealing in, trading in shares, debentures and other investments and proper records have been maintained of the transactions and contracts and timely entries have been made there in. These shares, debentures and other securities have been held by the company.
22. In our opinion and according to the information and explanations given to us the Company has not given any guarantee for any loans taken by others from banks and financial institutions during the financial year.
23. To the best of our knowledge and belief and according to the information and explanations given to us, no term loan was availed by the Company during the year.
24. In our opinion and according to the information and explanations given to us the Company has not made preferential allotment of shares during the year to companies covered in the register maintained under Section 301 of the Companies Act, 1956.
25. The Company has not made any public issue of shares during the year and hence the question of verifying the end use of the funds does not arise.
26. According to the information and explanations given to us and the records examined by us, no debentures have been issued during the year.
27. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the financial year.

for **R. Subramanian and Company**

Chartered Accountants

Firm No. 004137S

Place : Chennai  
Date : August 12, 2010

**R. Rajaram**  
Partner  
M.No.:25210

**BALANCE SHEET AS AT MARCH 31, 2010**

KOTHARI PETROCHEMICALS LIMITED

Balance Sheet as at March 31, 2010

(Amount in Rs.)

|           | Particulars                                  | Schedule | As on 31.03.2010 | As on 31.03.2009 |
|-----------|----------------------------------------------|----------|------------------|------------------|
| <b>I</b>  | <b>SOURCES OF FUNDS</b>                      |          |                  |                  |
|           | <b>1. Shareholders Funds</b>                 |          |                  |                  |
|           | a) Capital                                   | A        | 59,18,67,500     | 59,18,67,500     |
|           | b) Reserves and Surplus                      | B        | 40,000           | 40,000           |
|           | <b>Total</b>                                 |          | 59,19,07,500     | 59,19,07,500     |
|           | <b>2. Loan Funds</b>                         |          |                  |                  |
|           | a) Secured Loans                             | C        | 41,32,087        | —                |
|           |                                              |          | 41,32,087        | —                |
|           | <b>3. Deferred Tax Liability</b>             |          | 1,32,37,488      | —                |
|           | [Refer Schedule O-B(4)]                      |          |                  |                  |
|           |                                              |          | 60,92,77,075     | 59,19,07,500     |
| <b>II</b> | <b>APPLICATION OF FUNDS</b>                  |          |                  |                  |
|           | <b>1. Fixed Assets</b>                       | D        |                  |                  |
|           | a) Gross Block                               |          | 37,09,51,775     | 36,84,57,260     |
|           | b) Less : Accumulated Depreciation           |          | 9,70,22,516      | 6,92,13,824      |
|           | c) Net Block                                 |          | 27,39,29,259     | 29,92,43,436     |
|           | <b>2. Investments</b>                        | E        | 5,11,34,988      | 1,93,41,089      |
|           | <b>3. Current Assets, Loans and Advances</b> | F        |                  |                  |
|           | a) Inventories                               |          | 4,88,61,381      | 4,74,92,652      |
|           | b) Sundry Debtors                            |          | 8,24,09,475      | 7,75,99,459      |
|           | c) Cash and Bank Balances                    |          | 5,22,25,124      | 2,14,47,060      |
|           | d) Other Current Assets                      |          | 2,51,54,531      | 1,60,60,137      |
|           | e) Loans and Advances                        |          | 15,56,10,695     | 13,78,01,102     |
|           |                                              |          | 36,42,61,206     | 30,04,00,410     |
|           | <b>Less:Current Liabilities</b>              | G        |                  |                  |
|           | Liabilities                                  |          | 11,12,95,770     | 9,58,19,957      |
|           |                                              |          | 11,12,95,770     | 9,58,19,957      |
|           | Net Current Assets                           |          | 25,29,65,436     | 20,45,80,453     |
|           | Profit and Loss Account Debit Balance        |          | 3,12,47,392      | 6,87,42,522      |
|           | <b>Total</b>                                 |          | 60,92,77,075     | 59,19,07,500     |

The Schedules referred above and in Schedule O form an integral part of this Balance Sheet and should be read in conjunction therewith

For and on behalf of the Board

This Balance Sheet referred to in our report of even date

for **R.Subramanian and Company**

Chartered Accountants

Firm No. 004137S

**B.H. Kothari**  
Chairman & Managing Director**P.S.Balasubramaniam**  
DirectorPlace : Chennai  
Date : August 12, 2010**S. Sundaramurthy**  
Company Secretary**R.Rajaram**  
Partner  
M.No.:25210

(Amount in Rs.)

| Particulars                                                          | Schedule | For the Year Ended |               |
|----------------------------------------------------------------------|----------|--------------------|---------------|
|                                                                      |          | 31.03.2010         | 31.03.2009    |
| <b>INCOME</b>                                                        |          |                    |               |
| Sales (Gross)                                                        | H        | 121,79,90,954      | 139,84,78,703 |
| Less : Excise Duty                                                   |          | 8,98,38,470        | 13,30,79,906  |
| Sales (Net)                                                          |          | 112,81,52,484      | 126,53,98,797 |
| Other Income                                                         | I        | 85,65,864          | 2,47,39,595   |
| Less : Excise Duty on Scrap & Spent CSL                              |          | 37,974             | 4,23,447      |
|                                                                      |          | 85,27,890          | 2,43,16,148   |
|                                                                      |          | 113,66,80,374      | 128,97,14,945 |
| Increase / (Decrease) in stock of Work in Process and Finished Goods | J        | (11,67,316)        | 1,20,70,530   |
| <b>Total</b>                                                         |          | 113,55,13,058      | 130,17,85,475 |
| <b>EXPENSES</b>                                                      |          |                    |               |
| Material cost                                                        | K        | 83,55,61,976       | 106,38,83,760 |
| Employees Cost                                                       | L        | 3,31,85,179        | 27,21,085     |
| Manufacturing & Other Expenses                                       | M        | 17,46,40,923       | 16,69,37,961  |
| Interest & Finance Charges                                           | N        | 30,50,196          | 36,69,570     |
| <b>Total</b>                                                         |          | 104,64,38,274      | 126,20,12,376 |
| <b>Profit Before Depreciation</b>                                    |          | 8,90,74,784        | 3,97,73,099   |
| Less : Depreciation                                                  |          | 1,27,08,166        | 1,25,00,269   |
| Less : Amortisation of Intangible Assets                             |          | 1,51,60,000        | 1,51,60,000   |
| <b>Profit / (Loss) before Tax</b>                                    |          | 6,12,06,618        | 1,21,12,830   |
| Less : Provision for Current Taxation                                |          | 1,04,74,000        | 17,00,000     |
| Less : Deferred Tax Liability                                        |          | 1,32,37,488        | —             |
| Less : Wealth Tax Paid for Earlier Years                             |          | —                  | 7,493         |
| Less : Fringe benefit tax                                            |          | —                  | 1,40,770      |
| <b>Profit / (Loss) for the Year after Tax</b>                        |          | 3,74,95,130        | 1,02,64,567   |
| <b>Profit / (Loss) brought forward from previous year</b>            |          | (6,87,42,522)      | (7,90,07,089) |
| <b>Balance carried to Balance Sheet</b>                              |          | (3,12,47,392)      | (6,87,42,522) |
| <b>Number of Equity Shares</b>                                       |          | 5,88,46,400        | 5,88,46,400   |
| <b>Basic and Diluted Earnings Per Share - Face Value Rs.10</b>       |          | 0.64               | 0.17          |

The Schedules referred above and Notes in Schedule - O form an Integral part of this Profit &amp; Loss Account and should be read in conjunction therewith

For and on behalf of the Board

This Profit &amp; Loss Account referred to in our report of even date

 for **R.Subramanian and Company**  
 Chartered Accountants  
 Firm No. 004137S

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

**P.S.Balasubramaniam**  
 Director

 Place : Chennai  
 Date : August 12, 2010

**S. Sundaramurthy**  
 Company Secretary

**R.Rajaram**  
 Partner  
 M.No.:25210

# CASH FLOW STATEMENT ANNEXED TO FINANCIAL STATEMENTS

| Particulars                                                  | 31.03.2010    | 31.03.2009    |
|--------------------------------------------------------------|---------------|---------------|
| <b>A. Cash Flow from Operating Activities :</b>              |               |               |
| Net Profit / (Loss) after extraordinary items                | 6,12,06,618   | 1,21,12,830   |
| Adjustments for :                                            |               |               |
| Depreciation                                                 | 1,27,08,166   | 1,25,00,269   |
| Provision for diminution in value of short term investments  | -             | 3,72,392      |
| Interest received                                            | (13,70,938)   | (4,53,751)    |
| Amortisation of Intangible Asset                             | 1,51,60,000   | 1,51,60,000   |
| Profit on Sale of MF Units / Dividend                        | (18,06,068)   | (26,55,849)   |
| (Profit) / Loss on Sale of Shares                            | -             | 7,210         |
|                                                              | 2,46,91,160   | 2,49,30,272   |
| <b>Operating Profit before Working Capital Changes</b>       | -             | 3,70,43,102   |
| Trade Debtors and Other Receivables                          | (48,10,016)   | (2,25,70,567) |
| Loans and Advances & Other Current Assets                    | (1,63,70,198) | (1,40,43,745) |
| Inventories                                                  | (13,68,729)   | (50,15,451)   |
| Trade payables                                               | 50,01,813     | 1,47,60,103   |
|                                                              | (1,75,47,130) | (2,68,69,661) |
| <b>Cash Generation from Operations</b>                       | 6,83,50,648   | 1,01,73,441   |
| <b>Less : Direct Taxes Paid</b>                              | 1,05,33,789   | 18,64,654     |
| <b>Net Cash Generation from Operating Activities - A</b>     | 5,78,16,859   | 83,08,787     |
| <b>B. Cash Flow from Investing Activities :</b>              |               |               |
| Purchase of Fixed Assets                                     | (25,53,990)   | (49,78,580)   |
| Provision for diminution in value of short term investments  | -             | (3,72,392)    |
| Redemption of Investment                                     | (3,17,93,900) | 65,10,844     |
| Interest Received                                            | 13,70,938     | 4,53,751      |
| Profit on Sale of MF Units / Dividend                        | 18,06,068     | 26,55,849     |
| Purchase / Sale of Investments (Net)                         | -             | (7,210)       |
| <b>Net Cash used in Investing Activities - B</b>             | (3,11,70,884) | 42,62,261     |
| <b>C. Cash Flow from Financing Activities :</b>              | 41,32,087     | -             |
| Net Cash used in Financing activities - C                    | 41,32,087     | -             |
| Net Increase / (Decrease) in Cash and Cash equivalents-A+B+C | 3,07,78,064   | 1,25,71,048   |
| Cash and Cash equivalents at the beginning of the year       | 2,14,47,060   | 88,76,000     |
| Cash and Cash equivalents at the close of the year           | 5,22,25,124   | 2,14,47,060   |

For and on behalf of the Board

This Cash Flow Statement referred to in our report of even date for **R.Subramanian and Company**

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

**P.S.Balasubramaniam**  
Director

Chartered Accountants  
Firm No. 004137S

Place : Chennai  
Date : August 12, 2010

**S. Sundaramurthy**  
Company Secretary

**R.Rajaram**  
Partner  
M.No.:25210

|                                                                    | (Amount in Rs.)     |                     |
|--------------------------------------------------------------------|---------------------|---------------------|
|                                                                    | As at<br>31.03.2010 | As at<br>31.03.2009 |
| <b>Schedule - A</b>                                                |                     |                     |
| <b>Share Capital</b>                                               |                     |                     |
| <b>Authorised Capital</b>                                          |                     |                     |
| <b>Equity Share Capital</b>                                        |                     |                     |
| 6,00,00,000 Equity Shares of Rs.10/-each                           | <b>60,00,00,000</b> | 60,00,00,000        |
| <b>Preference Share Capital</b>                                    |                     |                     |
| 6,00,000 Redeemable Preference Shares of Rs.100/- each             | <b>6,00,00,000</b>  | 6,00,00,000         |
| <b>Total</b>                                                       | <b>66,00,00,000</b> | <b>66,00,00,000</b> |
| <b>Issued Capital</b>                                              |                     |                     |
| 5,96,40,700 Equity Shares of Rs.10/- each                          | <b>59,64,07,000</b> | 59,64,07,000        |
| <b>Subscribed / Paid up Capital</b>                                |                     |                     |
| 5,88,46,400 Equity Shares of Rs.10/- each                          | <b>58,84,64,000</b> | 58,84,64,000        |
| Add : Forfeited Shares                                             | <b>34,03,500</b>    | 34,03,500           |
| <b>Total</b>                                                       | <b>59,18,67,500</b> | <b>59,18,67,500</b> |
| <b>Schedule - B</b>                                                |                     |                     |
| <b>Reserves &amp; Surplus</b>                                      |                     |                     |
| Capital Reserve                                                    |                     |                     |
| Amount received on re-issue of forfeited Shares                    | <b>40,000</b>       | 40,000              |
| <b>Total</b>                                                       | <b>40,000</b>       | <b>40,000</b>       |
| <b>Schedule - C</b>                                                |                     |                     |
| <b>LOAN FUNDS</b>                                                  |                     |                     |
| Secured Loans                                                      |                     |                     |
| Post Shipment Credit-(Against Hypothecation of Stock & Book Debts) | <b>23,04,348</b>    | —                   |
| Vehicle Loan - (Against Hypothecation of Vehicle)                  | <b>18,27,739</b>    | —                   |
|                                                                    | <b>41,32,087</b>    | —                   |

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**

**Schedule - D  
Fixed Assets**

(Amount in Rs.)

| Description                     | GROSS BLOCK         |                  |                           | DEPRECIATION        |                     |                    |               | NET BLOCK           |                     |
|---------------------------------|---------------------|------------------|---------------------------|---------------------|---------------------|--------------------|---------------|---------------------|---------------------|
|                                 | As on<br>01.04.2009 | Additions        | Deletions /<br>Adjustment | As on<br>31.03.2010 | As on<br>01.04.2009 | For the<br>year    | Deductions    | As on<br>31.03.2010 | As on<br>31.03.2009 |
| Land                            | 2,78,47,000         | -                | -                         | 2,78,47,000         | -                   | -                  | -             | 2,78,47,000         | 2,78,47,000         |
| Buildings                       | 6,35,84,723         | 1,88,140         | -                         | 6,37,72,863         | 32,18,491           | 18,58,805          | -             | 5,86,95,567         | 6,03,66,232         |
| Computers                       | 12,62,845           | 41,750           | -                         | 13,04,595           | 7,97,270            | 99,293             | -             | 4,08,032            | 4,65,575            |
| Office Equipment                | 18,71,374           | -                | -                         | 1,871,374           | 2,94,443            | 87,665             | -             | 14,89,266           | 15,76,931           |
| Plant & Machinery               | 19,40,83,444        | -                | -                         | 19,40,83,444        | 1,83,62,020         | 1,02,47,606        | -             | 16,54,73,817        | 17,57,21,423        |
| Vehicles                        | 36,22,030           | 26,01,432        | 3,90,000                  | 58,33,462           | 11,68,327           | 3,90,440           | 59,475        | 43,34,170           | 24,53,703           |
| Furniture & Fittings            | 3,85,844            | 53,193           | -                         | 4,39,037            | 93,273              | 24,357             | -             | 3,21,407            | 2,92,571            |
| Intangible Assets-<br>Software  | 5,00,000            | -                | -                         | 5,00,000            | 1,00,000            | 1,00,000           | -             | 3,00,000            | 4,00,000            |
| Intangible Assets -<br>Goodwill | 7,53,00,000         | -                | -                         | 7,53,00,000         | 4,51,80,000         | 1,50,60,000        | -             | 1,50,60,000         | 3,01,20,000         |
| <b>Total</b>                    | <b>36,84,57,260</b> | <b>28,84,515</b> | <b>3,90,000</b>           | <b>37,09,51,775</b> | <b>6,92,13,825</b>  | <b>2,78,68,166</b> | <b>59,475</b> | <b>27,39,29,259</b> | <b>29,92,43,435</b> |
| <b>Previous year</b>            | <b>36,34,78,680</b> | <b>49,78,580</b> | <b>-</b>                  | <b>36,84,57,260</b> | <b>4,15,53,555</b>  | <b>2,76,60,269</b> | <b>-</b>      | <b>29,92,43,436</b> | <b>32,19,25,126</b> |

**Schedule - E**
**A. Investments in Mutual Funds (At Cost) - (Short Term)**

(Amount in Rs.)

| As at        |            | Name of the Scheme                                                                                                                          | As at       |             |
|--------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| 31.03.2010   | 31.03.2009 |                                                                                                                                             | 31.03.2010  | 31.03.2009  |
| No. of Units |            |                                                                                                                                             | Cost        |             |
| —            | 97,800     | AIG India Equity Fund Regular-Growth                                                                                                        |             | 10,00,000   |
| 3,16,736     | —          | Baroda Pioneer Treasury Advantage - Reg-G                                                                                                   | 50,58,585   | —           |
| —            | —          | Birla Sunlife Medium Term Plan - Retail - Growth                                                                                            | 13,43,961   | —           |
| —            | 3,05,739   | Birla Sunlife Savings Fund - Growth                                                                                                         | —           | 50,01,802   |
| 18,716       | —          | Canara Robeco Balance Fund - Dividend                                                                                                       | 10,00,000   | —           |
| —            | 1,00,000   | Edelwiss Liquid Plus Fund                                                                                                                   | —           | 10,00,000   |
| 32,082       | —          | Franklin India Prima Plus Fund - Dividend                                                                                                   | 10,00,000   | —           |
| —            | 1,09,539   | HDFC Cash Management Fund-savings Plan - Growth                                                                                             | —           | 20,13,370   |
| 9,40,168     | —          | HDFC CMF Savings Plan - Dividend Reinv                                                                                                      | 1,01,52,604 | —           |
| 9,49,970     | —          | HDFC Floating Rate Income Fund-STP-WS-Growth                                                                                                | 1,49,00,188 | —           |
| 3,45,472     | —          | Kotak Floater Long Term - Growth                                                                                                            | 50,48,179   | —           |
| 1,84,102     | —          | LIC MF Savings Plus Fund - Growth                                                                                                           | 26,94,713   | —           |
| 1,05,717     | —          | Templeton India TMA - Growth                                                                                                                | 10,57,167   | —           |
| 2,374        | —          | UTI Floating Rate Fund - STP - Growth                                                                                                       | 35,62,998   | —           |
| 4,495        | 9,126      | UTI Treasury Advantage Fund - Instl - growth                                                                                                | 55,59,479   | 1,07,39,414 |
|              |            |                                                                                                                                             | 5,13,77,874 | 1,97,54,585 |
|              |            | Less : Diminution in value of Investments<br>(Market Value Rs.5,11,53,134 as on 31.03.2010<br>Market value Rs.1,93,97,441 as on 31.03.2009) | 2,42,886    | 4,13,496    |
|              |            |                                                                                                                                             | 5,11,34,988 | 1,93,41,089 |

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**


The Following Units of Mutual Fund were purchased and redeemed during the Financial year

(Amount in Rs.)

| As at        |            | Name of the Scheme                              | As at        |              |
|--------------|------------|-------------------------------------------------|--------------|--------------|
| 31.03.2010   | 31.03.2009 |                                                 | 31.03.2010   | 31.03.2009   |
| No. of Units |            |                                                 | Cost         |              |
| 5,06,606     | —          | Baroda Pioneer Liquid Fund - Growth             | 80,37,201    | —            |
| 9,76,632     | —          | Baroda Pioneer Treasury Advantage Fund - Reg    | 1,00,40,443  | —            |
| —            | 8,73,737   | Birla Sunlife Floating Rate Fund - LT-growth    | —            | 1,20,65,392  |
| —            | 4,15,013   | Birla Sunlife Income Plus Fund-dividend         | —            | 45,91,286    |
| 3,05,415     | —          | Birla Sunlife Savings Fund - Retail - G         | 51,08,356    | —            |
| 3,14,494     | 2,95,138   | Birla Sunlife Short Term Fund-growth            | 50,87,347    | 45,00,000    |
| —            | 5,94,126   | HDFC Cash MGMT - Savings Plus Plan -growth      | —            | 1,05,87,604  |
| 13,46,154    | —          | HDFC Cash MGT Fund - Treasury Advantage - WS- G | 2,67,46,590  | —            |
| 22,41,264    | —          | HDFC Floating Rate Income Fund - STP - WS- G    | 3,42,56,630  | —            |
| 1,16,591     | 55,617     | HDFC High Interest Fund-growth                  | 20,23,174    | 15,21,076    |
| 1,45,937     | —          | HDFC Short Term Plan - Reg - G                  | 25,00,000    | —            |
| 4,93,773     | —          | Kotak Flexi Debt Scheme - Reg - Growth          | 7,39,221     | —            |
| 4,84,788     | —          | Kotak Floater Long Term - Growth                | 70,17,306    | —            |
| 9,36,767     | —          | LIC MF Floating Rate Fund - STP - Growth        | 1,37,91,254  | —            |
| 7,83,153     | —          | LIC MF Savings Plus Fund - Growth               | 1,12,22,240  | —            |
| —            | 8,521      | Mirae Asset Liquid Plus Fund - R - Growth       | —            | 87,00,000    |
| 3,08,026     | —          | Templeton India Floating Rate - LT - Growth     | 50,92,522    | —            |
| 466          | —          | Templeton India TMA - Growth                    | 10,53,031    | —            |
| 907          | —          | Templeton India Treasury MGT Account - R - G    | 20,14,548    | —            |
| —            | 3,37,975   | UTI Bond Fund-dividend-reinvestment             | —            | 40,00,000    |
| 23,520       | 22,127     | UTI Floating Rate Fund-stp -growth              | 3,43,76,644  | 3,08,27,352  |
| —            | 20,980     | UTI Liquid Plus Fund Instl-growth               | —            | 2,39,46,011  |
| 13,484       | —          | UTI Treasury Advantage Fund - Instl - Growth    | 1,65,52,039  | —            |
| —            | 2,50,000   | UTI-FIF-MIP-SERIES-I-DIV REINV-10.05%           | —            | 25,00,000    |
| —            | 11,93,207  | UTI-FIF-MIP-SERIES-I-GROWTH                     | —            | 1,30,04,117  |
| —            | 10,22,935  | UTI-FMP-QFMP-06/08-INSTL-GROWTH                 | —            | 1,02,29,355  |
|              |            |                                                 | 19,19,58,545 | 12,64,72,193 |

|                                                                                            | (Amount in Rs.)     |                     |
|--------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                            | As at<br>31.03.2010 | As at<br>31.03.2009 |
| <b>Schedule - F</b>                                                                        |                     |                     |
| <b>Current Assets</b>                                                                      |                     |                     |
| <b>a) Inventories</b>                                                                      |                     |                     |
| Stocks                                                                                     |                     |                     |
| Consumable Stores                                                                          | 40,74,806           | 60,82,820           |
| Finished Goods                                                                             | 2,37,41,423         | 2,49,08,740         |
| Raw Materials                                                                              | 2,06,56,530         | 1,63,43,441         |
| Packing Materials                                                                          | 3,88,622            | 1,57,651            |
| <b>Total</b>                                                                               | <b>4,88,61,381</b>  | <b>4,74,92,652</b>  |
| <b>b) Sundry Debtors</b>                                                                   |                     |                     |
| <b>Unsecured, Considered Goods</b>                                                         |                     |                     |
| More than six months                                                                       | 5,71,882            | 26,58,362           |
| Others                                                                                     | 8,18,37,593         | 7,49,41,097         |
| <b>Total</b>                                                                               | <b>8,24,09,475</b>  | <b>7,75,99,459</b>  |
| <b>c) Cash &amp; Bank Balances</b>                                                         |                     |                     |
| Cash on hand                                                                               | 33,045              | 23,240              |
| <b>Balance with Banks</b>                                                                  |                     |                     |
| On Current Account                                                                         | 4,05,90,737         | 1,77,53,257         |
| On Deposit Account                                                                         | 1,16,01,342         | 36,70,562           |
| {Of the above Rs.94.46 Lakhs (Previous Year 36.70 Lakhs) is under lien for Bank Gaurantee} |                     |                     |
| <b>Total</b>                                                                               | <b>5,22,25,124</b>  | <b>2,14,47,060</b>  |
| <b>d) Other Current Assets</b>                                                             | <b>2,51,54,531</b>  | <b>1,60,60,137</b>  |
| <b>e) Loans &amp; Advances</b> (Unsecured and considered good)                             |                     |                     |
| a. Advances recoverable (in cash/kind/for value to be received)                            | 11,56,68,388        | 10,22,46,070        |
| b. Advance to Suppliers                                                                    | 3,11,41,674         | 1,87,14,355         |
| c. Advance Income tax & tax deducted as soucre net of provision                            | 9,79,342            | 7,81,854            |
| d. Deposits                                                                                | 68,34,731           | 1,20,42,270         |
| e. Balances with Statutory Authorities                                                     | 9,86,560            | 40,16,553           |
| <b>Total</b>                                                                               | <b>15,56,10,695</b> | <b>13,78,01,102</b> |
| <b>Total Current Assets</b>                                                                | <b>36,42,61,205</b> | <b>30,04,00,409</b> |

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**

(Amount in Rs.)

|                                                               | As at<br>31.03.2010  | As at<br>31.03.2009  |
|---------------------------------------------------------------|----------------------|----------------------|
| <b>Schedule - G</b>                                           |                      |                      |
| <b>Current Liabilities &amp; Provisions</b>                   |                      |                      |
| <b>a) Liabilities</b>                                         |                      |                      |
| Sundry Creditors                                              | 8,62,85,764          | 7,56,91,976          |
| Advance from Customer's                                       | 76,68,669            | 36,86,999            |
| Other Current Liabilities                                     | 1,73,41,337          | 1,64,40,982          |
| <b>Total</b>                                                  | <b>11,12,95,770</b>  | <b>9,58,19,957</b>   |
| <b>Schedule - H</b>                                           |                      |                      |
| <b>Sales</b>                                                  |                      |                      |
| Petrochemicals                                                | 119,79,54,262        | 136,93,25,000        |
| Other by products                                             | 2,00,36,692          | 2,91,53,703          |
| <b>Total</b>                                                  | <b>121,79,90,954</b> | <b>139,84,78,703</b> |
| <b>Schedule - I</b>                                           |                      |                      |
| <b>Other Income</b>                                           |                      |                      |
| Miscellaneous Income                                          | 52,18,248            | 2,16,29,995          |
| Interest Income                                               | 13,70,938            | 4,53,751             |
| Dividend Income                                               | 4,76,107             | 3,59,267             |
| Profit on Sale of Investments                                 | 13,29,961            | 22,96,582            |
| Provision written Back for Diminution in value of Investments | 1,70,610             | —                    |
| <b>Total</b>                                                  | <b>85,65,864</b>     | <b>2,47,39,595</b>   |
| <b>Schedule - J</b>                                           |                      |                      |
| Increase / Decrease in Stock                                  |                      |                      |
| Opening Stock                                                 | 2,49,08,740          | 1,28,38,210          |
| Closing Stock                                                 | 2,37,41,423          | 2,49,08,740          |
| <b>Total</b>                                                  | <b>(11,67,317)</b>   | <b>1,20,70,530</b>   |
| <b>Schedule - K</b>                                           |                      |                      |
| <b>Material Cost</b>                                          |                      |                      |
| Raw Materials - consumed                                      | 73,14,56,872         | 95,11,03,677         |
| Chemicals Catalysts Stores -Indigenous                        | 1,69,38,857          | 1,09,33,966          |
| Packing Expenses Others                                       | 90,39,703            | 93,20,544            |
| Inward Freight and Transport - Others                         | 13,272               | 3,076                |
| Inward Freight and Transport - Raw Materials                  | 7,81,13,272          | 9,25,22,497          |
| <b>Total</b>                                                  | <b>83,55,61,976</b>  | <b>106,38,83,760</b> |

|                                                  | (Amount in Rs.)     |                     |
|--------------------------------------------------|---------------------|---------------------|
|                                                  | As at<br>31.03.2010 | As at<br>31.03.2009 |
| <b>Schedule - L</b>                              |                     |                     |
| <b>Employee Cost</b>                             |                     |                     |
| Salaries, Wages & Bonus                          | 2,81,34,276         | 2,22,80,430         |
| Contribution to Provident and other funds        | 19,58,376           | 20,50,312           |
| Employees Welfare Expenses                       | 30,92,527           | 31,90,343           |
| <b>Total</b>                                     | <b>3,31,85,179</b>  | <b>2,75,21,085</b>  |
| <b>Schedule - M</b>                              |                     |                     |
| <b>Manufacturing &amp; Other Expenses</b>        |                     |                     |
| Power and Fuel                                   | 9,82,71,066         | 11,98,06,910        |
| Freight and Transport                            | 1,72,34,036         | 50,53,875           |
| Rent                                             | 32,34,704           | 35,78,821           |
| Rates and Taxes                                  | 23,72,968           | 10,96,418           |
| Repairs & Maintenance - P & M, Roads & Buildings | 1,20,38,634         | 61,22,614           |
| Repairs & Maintenance - others                   | 1,34,34,437         | 1,21,32,392         |
| Directors Travelling Expenses                    | 3,18,107            | 26,88,400           |
| Travelling - Foreign                             | 3,146,735           | 13,66,886           |
| Travelling & Conveyance                          | 50,24,934           | 43,77,837           |
| Insurance                                        | 19,11,723           | 16,64,060           |
| Sitting Fee to Directors                         | 2,00,000            | 1,84,000            |
| Auditors Remuneration                            | 2,26,115            | 2,28,643            |
| Professional & Consultancy charges               | 34,21,614           | 42,58,130           |
| Administrative Expenses                          | 61,15,259           | 27,55,748           |
| Loss on Sale of Shares                           | —                   | 7,210               |
| Loss of Sale of Assets                           | 2,20,526            | —                   |
| Exchange Flutuation Loss                         | 26,60,372           | —                   |
| Provision for Diminution in value of Investments | —                   | 3,72,392            |
| Provision for Doubtful debts.                    | —                   | 2,06,655            |
| Selling & Distribution Expenses                  | 48,09,694           | 36,98,485           |
| <b>Total</b>                                     | <b>17,46,40,923</b> | <b>16,69,37,961</b> |
| <b>Schedule - N</b>                              |                     |                     |
| Interest and Finance Charges                     |                     |                     |
| Bank Charges                                     | 7,13,722            | 24,75,206           |
| Discounting Charges - Export Bills               | 7,84,194            | —                   |
| Interest                                         | 15,52,280           | 11,94,364           |
| <b>Total</b>                                     | <b>30,50,196</b>    | <b>36,69,570</b>    |

**SCHEDULE - O****A. SIGNIFICANT ACCOUNTING POLICIES****1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The accounts are prepared as per the historical cost convention in accordance with the mandatory applicable Accounting Standards.

**2 FIXED ASSETS & DEPRECIATION**

- a) Fixed assets are recorded at cost net of Modvat/ Cenvat credit wherever applicable. Costs include all expenses incurred in bringing the asset to its present location & condition.
- b) Depreciation on Fixed assets is provided at Straight Line Method in accordance with Schedule XIV of the Companies Act, 1956. Assets costing less than Rs.5,000/- are fully depreciated in the year of addition.

**3. INVESTMENTS**

Current Investments are stated at lower of cost and fair value by category of investment. Long term investments are stated at cost and diminution in value provided for only if it is permanent.

**4. INVENTORIES**

- (a) Raw Materials and Stores and Spares are valued at weighted average cost.
- (b) Finished Stocks are valued at cost (including applicable overheads and excise duty) or net realizable values whichever is lower.
- (c) Modvat / Cenvat / Service Tax credits on materials are availed on purchases and utilized for payment of excise duty on goods manufactured and the unutilized credit is carried forward in the books.

**5. REVENUE RECOGNITION**

- (a) All revenues are accounted on accrual basis
- (b) Sales are net of discounts and Sales Tax.

**6. Retirement benefit plans****Defined contribution plans**

The Company makes Provident Fund and Superannuation contributions to defined contribution retirement benefit plans for qualifying employees. Under the Provident Fund Scheme, the Company contributes a specified percentage of payroll cost to the fund maintained by The Regional Provident Fund Commissioner. Under the Superannuation scheme the company is required to contribute a specified percentage of payroll cost to Underwriters to enable them to make the settlement to the qualifying employees. Leave encashment benefit for all employees is in the nature of short term compensated absence and is accounted on accrual basis.

**Defined benefit plans**

The Company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme of an Insurance Company, a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment.

**7. RESEARCH AND DEVELOPMENT**

Research and Development expenditure, other than capital, as and when incurred are charged to revenue.

**8. FOREIGN CURRENCY TRANSACTION**

Transactions in foreign exchange are initially recognized at the rates prevailing on the date of transaction. All monetary assets and liabilities are restated at balance sheet date using year end rates. Resultant exchange difference is recognized as income or expense in that period.

**9. IMPAIRMENT OF ASSETS**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired, after considering adjustment if any already carried out.

**10. PROVISION OF CONTINGENT LIABILITIES**

The Company creates a provision when there is a present obligation as a result of an obligation / event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

**11. EARNINGS PER SHARE**

The earnings considered in ascertaining earnings per share comprises of the net profit after tax before exceptional items. The number of shares used in computing earnings per share is the weighted average number of shares outstanding during the year. Diluted earning per share comprises of weighted average share considered for deriving basic earnings per share as well as dilutively potential equity shares.

**12. TAXES ON INCOME**

Tax expense comprises of current tax and deferred tax. Current income tax is provided on the taxable Income for the period as per Income Tax Act 1961. Deferred tax is recognized, subject to consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and is capable of reversal in one or more subsequent periods.

**B. NOTES ON ACCOUNTS****1. Segment Reporting**

The company has only one business segment viz. Manufacture of Polyisobutene. The secondary reportable geographical segment will be sales to external customers located In India and rest of the world.

( Rupees in Lacs )

| Location of Customers | 2009-10        | 2008-09 |
|-----------------------|----------------|---------|
| India                 | <b>8646.06</b> | 9379.88 |
| Rest of the World     | <b>2635.46</b> | 3274.11 |

**2. Acknowledgement of balances**

The Company has obtained confirmation of balances from all the banks and has sent letter of request for confirmation of balances to Debtors and Creditors and replies have been received in a few cases.

**3. Related Party Transactions**

As per Accounting Standard - 18 (AS-18) Issued by the Institute of Chartered Accountants of India, the Company's related parties are disclosed below:

| Sl. No. | Description of Related Party          | Name of Related Party                                                                                                   |
|---------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| a.      | Promoter Company                      | Kothari Sugars & Chemicals Ltd.                                                                                         |
| b.      | Key Management Personnel              | Mr.B.H.Kothari                                                                                                          |
| c.      | Entities having significant influence | (i) Kothari Safe Deposit Limited<br>(ii) Century Foods Pvt. Limited<br>(iii) Parvathi Trading & Finance Co Pvt. Limited |

The related party transactions and balances are summarized below:

(Rs. in Lakhs)

| Particulars         | Promoters Company |         | Entities having Significant Influence |         | Balance     |            |
|---------------------|-------------------|---------|---------------------------------------|---------|-------------|------------|
|                     | 2009-10           | 2008-09 | 2009-10                               | 2008-09 | 31.03.2010  | 31.03.2009 |
| Advances Taken      | <b>38.94</b>      | 146.59  | <b>Nil</b>                            | Nil     | <b>Nil</b>  | 9.96       |
| Advance given       | <b>109.68</b>     | 70.00   | <b>Nil</b>                            | Nil     | <b>Nil</b>  | Nil        |
| Rent                | <b>Nil</b>        | Nil     | <b>8.60</b>                           | 8.75    | <b>Nil</b>  | Nil        |
| Sales of Scrap/PIB  | <b>1.48</b>       | 8.60    | <b>Nil</b>                            | Nil     | <b>Nil</b>  | Nil        |
| Expenses Reimbursed | <b>62.26</b>      | Nil     | <b>Nil</b>                            | Nil     | <b>Nil</b>  | Nil        |
| Locker Rent         | <b>Nil</b>        | Nil     | <b>0.06</b>                           | 0.06    | <b>Nil</b>  | Nil        |
| Deposit             | <b>Nil</b>        | Nil     | <b>Nil</b>                            | 0.13    | <b>0.13</b> | 0.13       |
| Interest            | <b>Nil</b>        | 4.04    | <b>Nil</b>                            | Nil     | <b>Nil</b>  | Nil        |

**4. Taxes on Income**

Deferred Tax Liability / Asset

(Amount in Rs.)

| Particulars                         | 31.03.2010         | 31-03-2009  |
|-------------------------------------|--------------------|-------------|
| Deferred Tax Asset                  | 83,96,269          | 2,99,76,008 |
| <b>Less:</b> Deferred Tax Liability | <b>2,16,33,757</b> | 2,78,77,859 |
| Net Deferred Tax Liability          | <b>1,32,37,488</b> | (20,98,149) |

**5. Contingent Liabilities**

- Estimated amount of Contracts remaining to be executed on Capital account & not provided for amount to Rs. Nil (Rs.Nil )
  - Bank guarantees Rs. 318 lacs (Previous year.Rs.100 lacs)
  - Excise demand under appeal Rs.82.08 lacs.
6. The company has not received information from vendors regarding their status under Micro Small and Medium Enterprises Act 2006, the disclosures relating to amounts unpaid as at the year end together with interest payable/paid under this Act have not been given.
7. Quantitative information in respect of goods manufactured

**(a) Annual installed Capacity as certified by the Management**

| Product       | Unit | 31-03-2010 | 31-03-2009 |
|---------------|------|------------|------------|
| Polyisobutene | MT   | 22,000     | 22,000     |

**(b) Actual Production**

| Product       | Unit | 31-03-2010 | 31-03-2009 |
|---------------|------|------------|------------|
| Polyisobutene | MT   | 13,197.75  | 11,652.02  |

**(c) Raw Materials Consumed :**

| Item                | 31-03-2010    |                   | 31-03-2009    |                   |
|---------------------|---------------|-------------------|---------------|-------------------|
|                     | Quantity (MT) | Value Rs. in Lacs | Quantity (MT) | Value Rs. in Lacs |
| C4 Feed Stock       | 15,167.38     | 7,314.57          | 13,142.63     | 9,511.04          |
| Others              | -             | 1,041.05          | -             | 1,127.80          |
| Total               | 15,167.38     | 8,355.62          | 13,142.63     | 10,638.84         |
| Of the above Import | 0%            | 0%                | 0%            | 0%                |
| <b>Total</b>        | <b>100%</b>   | <b>100%</b>       | <b>100 %</b>  | <b>100 %</b>      |

**SIGNIFICANT ACCOUNTING POLICIES****(d) Finished Goods – Polyisobutene**

| Items         | 2009-2010      |                      | 2008-2009      |                      |
|---------------|----------------|----------------------|----------------|----------------------|
|               | Quantity<br>MT | Value<br>Rs. in Lacs | Quantity<br>MT | Value<br>Rs. in Lacs |
| Opening Stock | 399.07         | -                    | 281.35         | -                    |
| Production    | 13,197.75      | -                    | 11,652.01      | -                    |
| Sales         | 13,186.25      | 9,038.42             | 11,534.29      | 8,943.95             |
| Closing Stock | 410.57         | -                    | 399.07         | -                    |

**(e) Sales**

| Items         | 2009-2010      |                      | 2008-2009        |                      |
|---------------|----------------|----------------------|------------------|----------------------|
|               | Quantity<br>MT | Value<br>Rs. in Lacs | Quantity<br>MT   | Value<br>Rs. in Lacs |
| Polyisobutene | 13,186.25      | 9,038.42             | 11,534.87        | 8,943.95             |
| LPG           | 7,985.45       | 2,913.33             | 10,584.57        | 4,418.88             |
| Others        | 1136.71        | 228.16               | 869.90           | 338.10               |
| Conversion    | -              | -                    | 1,669.75         | 283.86               |
| <b>Total</b>  |                |                      | <b>12,179.91</b> | <b>13,984.79</b>     |

**8 Earnings in Foreign Currency :**

(Rs. in Lakhs)

| Particulars  | 31-03-2010 | 31-03-2009 |
|--------------|------------|------------|
| Export sales | 2,635.46   | 3,274.11   |

**9. Expenditure incurred in foreign currency on account of :**

(Rs. in Lakhs)

| Particulars          | 31-03-2010 | 31-03-2009 |
|----------------------|------------|------------|
| Travelling           | 15.47      | 7.43       |
| Professional Charges | 18.37      | 23.73      |
| Subscriptions        | 0.70       | -          |

**10. CIF Value of Imports : Nil**

**11. Auditors Remuneration:**

(Amount in Rupees)

| Particulars     | 2009-10  | 2008-09  |
|-----------------|----------|----------|
| Statutory Audit | 82,725   | 82,725   |
| Other Services  | 1,32,360 | 1,34,888 |
| Tax Audit Fees  | 11,030   | 11,030   |
| Total           | 2,26,115 | 2,28,643 |

**12.** The Goodwill of Rs.753 lakhs arising out of the merger effective from 1<sup>st</sup> April 2006 of PTPL with the company is being amortized over a period of five years with effect from 1<sup>st</sup> April 2006 in equal installments. During the Year Rs.150.60 lakhs amortized being fourth Year.

**13.** No provision is considered necessary towards urban land tax for the land in which Manali factory is situated pending disposal of a court case filed by the erstwhile owners and completion of the process for registration of land.

**14. Employee benefits**

Liability to existing employees of the company in respect of gratuity is covered under a common insurance policy in favour of Kothari Sugars & Chemicals Gratuity Trust. The cumulative liability of the employees is actuarially valued by the trust under projected unit credit method. Investments available for policy and contribution being effected are adequate to cover the liability of the employees.

**15.** Previous year figures have been regrouped and rearranged wherever necessary to Confirm to the classification for the year.

For and on behalf of the Board

for **R.Subramanian and Company**  
Chartered Accountants  
Firm No. 004137S

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

**P.S.Balasubramaniam**  
Director

**R.Rajaram**  
Partner  
M.No.25210

Place : Chennai  
Date : August 12, 2010

**S. Sundaramurthy**  
Company Secretary

**Information pursuant to Part IV of Schedule VI of the Companies Act 1956**

**I. Registration Details**

|                    |            |   |   |   |   |   |   |   |
|--------------------|------------|---|---|---|---|---|---|---|
| Registration No.   | 1          | 8 | - | 1 | 7 | 3 | 4 | 7 |
| Balance Sheet Date | 31.03.2010 |   |   |   |   |   |   |   |

|            |  |  |  |  |  |  |  |   |   |
|------------|--|--|--|--|--|--|--|---|---|
| State Code |  |  |  |  |  |  |  | 1 | 8 |
|------------|--|--|--|--|--|--|--|---|---|

**II. Capital Raised During the year (Amount in Rs. thousands)**

|              |     |
|--------------|-----|
| Public Issue | NIL |
| Bonus Issue  | NIL |

|                   |     |
|-------------------|-----|
| Right Issue       | NIL |
| Private Placement | NIL |

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)**

|                   |        |
|-------------------|--------|
| Total Liabilities | 609277 |
|-------------------|--------|

|              |        |
|--------------|--------|
| Total Assets | 609277 |
|--------------|--------|

**Sources of Funds**

|                 |        |
|-----------------|--------|
| Paid-Up Capital | 591868 |
| Secured Loans   | 4132   |

|                        |       |
|------------------------|-------|
| Reserves & Surplus     | 40    |
| Unsecured Loans        | -     |
| Deferred Tax Liability | 13237 |

**Application of Funds**

|                    |        |
|--------------------|--------|
| Net Fixed Assets   | 273929 |
| Net Current Assets | 252966 |
| Accumulated Losses | 31247  |

|                   |       |
|-------------------|-------|
| Investments       | 51135 |
| Misc. Expenditure | NIL   |

**IV. Performance of Company (Amount in Rs.thousands)**

|                          |         |
|--------------------------|---------|
| Turnover & Other Income  | 1135513 |
| Profit/(Loss) before Tax | 61207   |
| Earnings/Share in Rs.    | 0.64    |

|                         |         |
|-------------------------|---------|
| Total Expenditure       | 1074307 |
| Profit/(Loss) After Tax | 37495   |
| Dividend Rate %         | NIL     |

**V. Generic names of Three Principal Products/Services of Company**

|                     |          |
|---------------------|----------|
| Product description | ITC Code |
| Poly Isobutene      | 39220    |

For and on behalf of the Board

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

**P.S.Balasubramaniam**  
Director

**S. Sundaramurthy**  
Company Secretary

Place : Chennai  
Date : August 12, 2010



## KOTHARI PETROCHEMICALS LIMITED

Regd.Office: "Kothari Buildings", 115, Mahatma Gandhi Salai, Chennai - 600 034

### PROXY FORM

Folio No.:

\* Client ID No.:

(\* in case of dematerialized shares)

I / We ..... of .....in the district of ..... being a member(s) of the above named company, hereby appoint Mr./ Ms. .... of ..... in the district of ..... or failing in / him / her Mr. / Ms. .... of .....in the district of ..... as my / our proxy to attend and vote for me / us on my / our behalf at the 21<sup>st</sup> Annual General Meeting of the Company to be held on Wednesday, the 22<sup>nd</sup> 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 and at any adjournment thereof.

Signed this ..... day of ..... 2010.

No. of Shares held .....

The Companies Act 1956, lays down that an instrument appointing a Proxy shall be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for holding the Meeting. The Proxy need not be a Member of the Company.

Affix  
Revenue  
Stamp

Signature



## KOTHARI PETROCHEMICALS LIMITED

Regd.Office: "Kothari Buildings", 115, Mahatma Gandhi Salai, Chennai - 600 034.

### ATTENDANCE SLIP

#### REQUEST TO MEMBERS

Folio / Client ID No. :

Name of the  
Attending Member .....

Name of the Proxy\* .....  
\* (If Proxy attends instead of member)

I hereby record my presence at the 21<sup>st</sup> Annual General Meeting

Venue : The Music Academy,  
Mini Hall, Old No. 306, New No.168,  
T.T.K. Road, Chennai - 600 014.

Day & Date : Wednesday, 22<sup>nd</sup> September, 2010.

Time : 10.30 A.M.

1. Shareholders and their proxies should bring the attendance slip duly filled in for attending the meeting.
2. Members are requested to bring their copies of the Annual Report to the Meeting as the Company is unable to provide another copy in view of the increased cost of paper.
3. Members are requested to be in their seats at the Meeting Hall before the scheduled time for commencement of the Annual General Meeting to avoid interruption in the proceedings.
4. Members intending to appoint Proxies are requested to complete the Proxy Form sent herewith and deposit the same at the Registered Office of the Company 48 hours before the time fixed for holding the Meeting.
5. If you and/or your family members are receiving more than one copy of the Annual Report and other communication and would like to avoid duplication, kindly advice us to mail only one copy. This will help us to avoid wastage.

Signature of Shareholder/Proxy

**Note : Please ensure that your Folio/Client ID Number is duly mentioned in this form.**