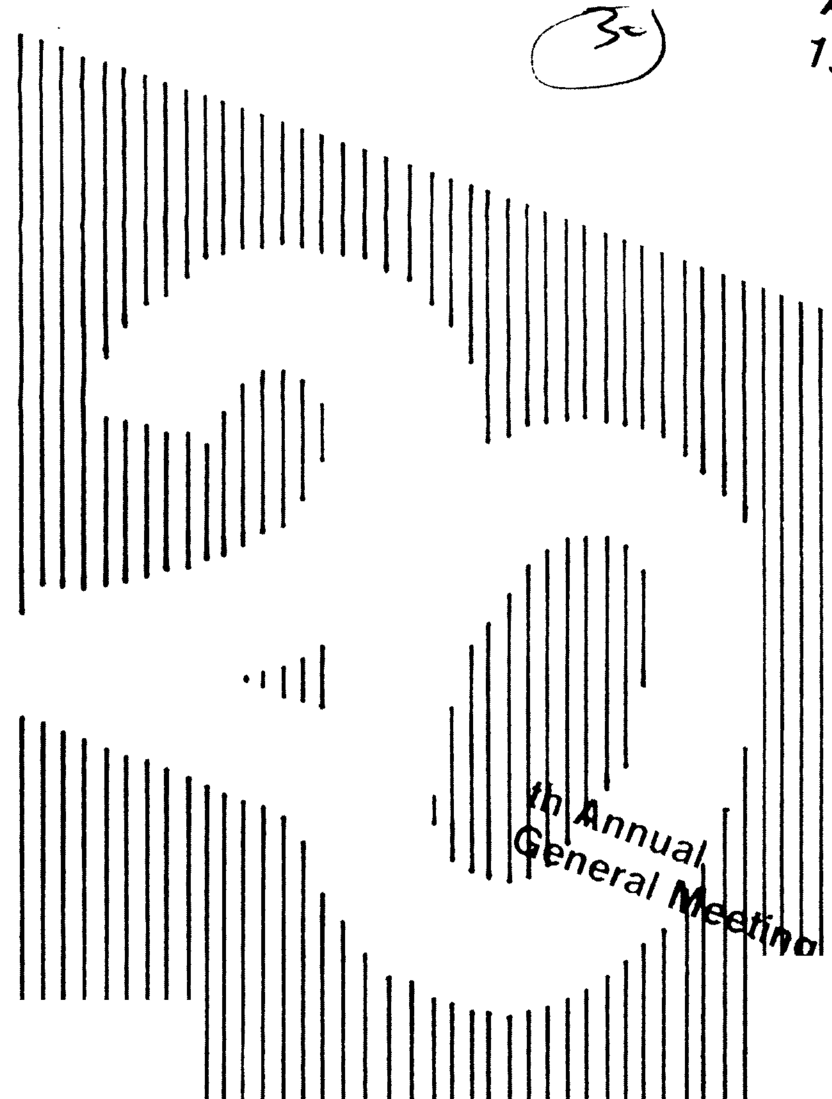
1083/89



th Annual
General Meeting

Kothari Industrial Corporation Limited

Annual Report 1988-89

BOARD OF DIRECTORS

Dr. D.C. Kothari
Chairman &
Managing Director
Pradip D. Kothari
Vice-Chairman &
Managing Director
J.R. Mehta
C.R. Pattabhi Raman
K. Sreenivasan
Dr. B. Gopala Reddi
K.S. Narayanan
P.G. Daftary
B. Peraj
Nominee of G.I.C.
D.B. Saxena
Secretary and Director
S. Ragothaman
Nominee of I.C.I.C.I.
H.S. Majumder
Nominee of SBI

BANKERS

Bank of Baroda
Central Bank of India
Grindlays Bank p.l.c.
Indian Bank
Punjab National Bank
State Bank of India
The Lakshmi Vilas Bank Ltd.
The Hongkong and Shanghai Banking Corporation
United Bank of India
Vijaya Bank

AUDITORS

M.K. Dandeker & Company,
Chartered Accountants,
Madras.

Fraser & Ross,
Chartered Accountants
Madras.

PLANTATIONS

Tea Estates in Nilgiris and Anamalais of Tamil Nadu State
Coffee Estates in Coorg & Chickmagalur of Karnataka State

TEXTILE MILLS

Singanallur, Coimbatore (Mill No. 1)
K. Vadamathurai, Coimbatore (Mill No. 2)
Adoni (Kurnool District, A.P.)

FERTILISER FACTORY

Ennore, Madras

COFFEE CURING WORKS

Hassan, Karnataka

REGISTERED OFFICE

"KOTHARI BUILDINGS"
114, Nungambakkam High Road,
Madras 600 034.

BOMBAY OFFICE

144-145, Mittal Court
A Wing, 14th Floor,
Nariman Point,
Bombay-400 021

SECUNDERABAD OFFICE

1-7-69/1-2, Sarojini Devi Road,
Secunderabad-500 003.
Andhra Pradesh

KOLHAPUR OFFICE

611-E, Shahupuri Second Street
Kolhapur-416 001
Maharastra

CHAIRMAN'S STATEMENT

On behalf of the Members of the Board and on my own, I welcome you all to the 20th Annual General Meeting of your Company. The abridged Balance Sheet as at 30th June, 1989, the abridged Profit and Loss Account for the year ended as at that date together with the Directors' and Auditors' Report have already been posted to you and with your permission, I shall take them as read.

1988-89

The performance of the Indian Economy during the year 1988-89 has been extremely encouraging. The current year witnessed a remarkable recovery on the agricultural front. Thanks to the exceptionally good monsoon and to the various policy initiatives taken by the Government in terms of agricultural sector. The total food grain production including the pulses rose remarkably to 171 million tonnes in 1988-89. The Planning Commission target of 175 million tonnes of food grains production for 1989-90 is most likely to be achieved and perhaps exceeded.

The performance of non-food agricultural crops such as cotton, oil-seeds and sugarcane has also been very satisfactory. On the industrial front according to the current indications, the production is likely to record a 9% increase in 1988-89. During the year the manufacturing sector, having a weight of 77% in the index of Industrial production, has registered an increase of 8.9%. The high growth of industrial sector has been quite well distributed with more than half of the industries recording a growth of over 10%. Such impressive industrial growth during the year has also been supported by equally good performance of key infra-structure sectors such as coal, steam, cement, fertilisers, transport and power generation.

The assessment made by the RBI and the Ministry of Finance indicates that GDP is likely to grow by 9% in 1988-89, while the recent reports in the press suggest even a higher growth of 10 to 11 per cent. The growth in the first four years of the 7th Plan averaged 5.4% per annum and the targeted growth of 5% for the 7th Plan seems to be well within the reach of the Nation.

Agriculture which has a prominent role to play in Indian Economy has seen a growth of 23% over the previous year on account of the good monsoon. The net purchasing power of the agro-based rural mass has perked up the economic condition alround. I am certain that for the years to come, with the stabilisation of agro-economic base of the Country, there will be an alround prosperity especially to your Company.

I am glad that your Company's turn-around has enabled us to recommend a dividend of 12.5% for the year ended 30.6.1989.

In the year 1989 the nation is celebrating the Centenary of one of its illustrious sons, Pandit Jawaharlal Nehru. We are proud to be associated with this Centenary Celebration nd have cause to feel doubly happy as this year happens to e the birth centenary of the founder of your Company, Late Chandulal Motilal Kothari. You will find elsewhere a message ent by His Excellency Shri R. Venkataraman, President of India, which is an eloquent tribute to the pioneering spirit of your ounder Late Chandulal Motilal Kothari.

TEXTILES

he Textile Industry shows cyclical and divergent trend which empts many industrialists to diversify into other promising ields. The Spinning Sector seemed to fare well, while the Composite Mills Sector continued to suffer from various isabilities. The cotton crop for 1988-89 is expected to be etter at 102 lac bales. The production of cotton yarn at 1,557 million kgs in 1988-89 was about 9% higher than 1,454 million gs in 1985-86. The fabrics production by textile mills declined rom 3,376 million metres in 1985-86 to 2,809 million metres n 1988-89.

ou may note that the Company's Textile Division earned a ash profit of Rs. 220 lacs as against a cash loss of Rs. 250 acs during the previous year. This remarkable recovery has been mainly due to higher productivity achieved by timely procurement of sufficient amount of cotton of good quality at easonable prices, in addition to better capacity utilisation and ncreased yarn prices. In fact, the yarn prices have been ruling firm.

I am glad to inform you that we are proposing to modernise the textile mills at a cost of Rs. 325 lacs out of which Rs. 260 lacs would be by way of term loans from Institutions. I am sure, you can now look forward to better results in the years to come.

PLANTATIONS

TEA

Though in 1988 India's tea production registered a record crop of 705 million kgs, the crop in the Southern States was poor due to erratic monsoon in the peninsula, our Estates could achieve only 23.6 lac kgs during 1988-89 (July/June). It is expected that there will be an increase in production of tea in India by 5 million kgs over 1988 and our Estates are likely to produce about 30 lac kgs.

There are definite signs of upsurge in tea exports, the figure for 1988 being 221.5 million kgs as compared with 204.2 million kgs for 1987. The Eighth Plan Export Target for 1990-91 has been fixed at 235 million kgs. It needs to be pointed out that India is the only tea producing country which saw a decline in prices last year. There was a fall of about 90 paise per kg in North India and Rs. 2/- per kg in the South. It is hoped that 1989 will be free from such scars on the price front. Even when the realisation was lower for South Indian Tea, your company was able to realise better prices. The Tea prices are firming up now and the current season is expected to see better realisation.

COFFEE

Coffee production in India reached 1.95 lac tonnes in 1984-85 and 1986-87. The crop prospects for 1989-90 are very bright and production is expected to cross two lac tonnes. Exports during 1988-89 are estimated around 95,000 tonnes of coffee to the tune of over Rs. 285 crores. It is expected that the exports during 1989-90 will be around the same level. The present tie-up with the U.S.S.R. would be advantageous to India.

The coffee production in your Estates on account of good monsoon enabled us to harvest 1,309 tonnes as against 761 tonnes in the previous year. An estimate of 950 tonnes has been made for the current year and is achieveable.

COFFEE CURING WORKS

Your Curing Works is one of the largest and has the state of the art machinery to cure 10,000 tonnes of coffee. However, it could cure only 8,556 tonnes of coffee as the Coffee Curing Works was closed for about a month and a half for modernisation and other related maintenance work. The work is now complete and your Curing Works is now poised for curing 10,000 tonnes of coffee this year.

FERTILISER

The critical phase in the chequered history of the Fertiliser Industry is a thing of the past. The negative trends in consumption have now petered away and the rain God has also been favourable for the second successive monsoon. Your Fertiliser Factory with an average production of 5,000 tonnes per month of Superphosphate has achieved almost full capacity as a result of the modernisation effected earlier. This trend is a welcome sign. During the next year, we expect to produce 60,000 tonnes of Superphosphate and 30,000 tonnes of Sulphuric Acid.

CONCLUSION

Before I conclude I would like to acknowledge the co-operation hard and constructive work of the Executives, Staff and Workers at various units. I also take this opportunity to thank the Bankers, and Financial Institutions for the timely support in all our endeavours.

I am grateful to my colleagues on the Board for the valuable support and guidance I have been receiving from them from time to time. Needless to add that we are thankful to the shareholders, depositors, who have extended to us their continued co-operation and stood by us all these years. I now look forward to sharing the fruits of our efforts in the years to come.

Madras
11th September, 1989

Dr. D.C. KOTHARI
Chairman

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 20th Annual General Meeting of the Members of the Company will be held as scheduled below :

Day and Date	:	WEDNESDAY, the 25th October, 1989
Time	:	10.30 A.M.
Place	:	The Music Academy 155-E, Mowbrays Road, MADRAS 600 018.

The Agenda for the Meeting will be as follows :

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 30th June, 1989 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in the place of Dr. B. Gopala Reddi, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Mr. P.G. Daftary, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in the place of Mr. K.S. Narayanan, who retires by rotation and being eligible offers himself for re-appointment.
6. To pass with or without modification the following resolution as a Special Resolution :

   "RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs M.K. Dandeker and Company and Messrs Fraser and Ross, the retiring Auditors, be and are hereby reappointed Auditors of the Company to hold office from the conclusion of this Meeting upto the conclusion of the next Annual General Meeting on a remuneration of Rs. 40,000/- each, in addition to all travelling and other out-of-pocket expenses".

SPECIAL BUSINESS

7. To consider and pass the following ordinary resolution with or without modification:

   "RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immoveable and moveable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of all or any of the following viz: –

(1) Industrial Development Bank of India (IDBI).

(2) Industrial Finance Corporation of India (IFCI).

(3) The Industrial Credit and Investment Corporation of India Limited (ICICI).

(4) Industrial Reconstruction Bank of India (IRBI).

(A) To secure :

1. Rupee Term Loan not exceeding Rs. 128 lacs (Rupees One Hundered and Twentyeight lacs) lent and advanced/agreed to be lent and advanced by IDBI to the Company;
2. Rupee Term Loan not exceeding Rs. 44 lacs (Rupees Fortyfour lacs) lent and advanced/agreed to be lent and advanced by IFCI to the Company;
3. Rupee Term Loan not exceeding Rs. 44 lacs (Rupees Fortyfour lacs) lent and advanced/agreed to be lent and advanced by ICICI to the Company;
4. Rupee Term Loan not exceeding Rs. 44 lacs (Rupees Fortyfour lacs) lent and advanced/agreed to be lent and advanced by IRBI to the Company;

together with interest at the respective agreed rate, additional interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to IDBI, IFCI, ICICI, IRBI and ICICI as Agent and Trustees in terms of their respective Loan Agreement/Heads of Agreement/Hypothecation Agreements/Trustees Agreements/Letters of Sanction/Memorandum of terms and conditions, entered into/to be entered into by the Company, in respect of the said term loans; and

(B) to the Board of Directors of the Company agreeing with all or any of the said IDBI/IFCI/ICICI/IRBI and ICICI as Agent and Trustees in terms of their respective Loan Agreement/Heads of Agreement/Hypothecation Agreements/Trustees Agreements/Letters of Sanction/Memorandum of terms and conditions reserve a right to take over the management of business and concern of the Company in certain events".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI/IFCI/ICICI/IRBI and ICICI as Agent and Trustees of documents for creating aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolutions".

A member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll to vote instead of himself and the proxy need not be a member of the Company. Proxies in order to be effective, should be lodged with the Company at any time not less than 48 hours before the Meeting. A form of proxy is enclosed.

The Register of Members and the Transfer Books of the Company will remain closed from 4th October to 25th October 1989 (both days inclusive).

The Note in respect of item No. 6 and the relative Explanatory Statements in respect of item No. 7 of the Agenda is annexed to the Notice.

As per the amended provisions of Section 219 of the Companies Act, 1956, abridged Balance Sheet are being forwarded to the members. Any member desirous of inspecting the Schedule VI Balance Sheet and annexures thereon can inspect the same on any working day during office hours at the Registered Office of the Company between 30.9.89 and 25.10.89.

Unclaimed dividend

A Stay Order has been obtained from the Hon'ble High Court of Madras pertaining to the unclaimed dividend upto the years 1981-82. Consequent to the Amendments to the Companies Act, 1956, the Company has deposited a sum of Rs. 3,80,874/- to the Government account for the years 1982-83 and 1983-84.

By Order of the Board
for KOTHARI INDUSTRIAL CORPORATION LIMITED

MADRAS
11th September, 1989.

V. GOPAL RAO
Company Secretary

ANNEXURE TO THE NOTICE

Statement in respect of item No. 6

Section 224A provides that in the case of a Company in which not less than 25% of the Subscribed Share Capital is held by public Financial Institutions or any Government or Nationalised Bank or other Financial Institutions referred to therein, the re-appointment of the Auditors shall be made by a Special Resolution.

As more than 25% of the Subscribed Share Capital of this Company is held by the categories of bodies corporate mentioned in that Section, the Resolution for the re-appointment of the said Auditors and the fixation of their remuneration is proposed as a Special Resolution as set out in Item No. 6.

As required under Section 224 of the Companies Act, 1956 certificates have been received from them to the effect that their appointments, if made, will be in accordance with the limits prescribed in Section 224(1B) of the Act.

Explanatory statement pursuant to Section 173 of the Companies Act, 1956.

In respect of item No. 7

The Industrial Credit and Investment Corporation of India Limited (ICICI), Industrial Development Bank of India, (IDBI), Industrial Finance Corporation of India (IFCI) and Industrial Reconstruction Bank of India (IRBI) have agreed to lend Rs. 44 lacs, Rs. 128 lacs, Rs. 44 lacs and Rs. 44 lacs aggregating to Rs. 260 lacs to the Textiles Division of the Company for the purpose of modernisation of the three textile mills at Singanallur and K. Vadamathurai at Coimbatore and at Adoni, Andhra Pradesh. The security offered by the Company against this is a charge to be created against the properties of the Textiles Division and Plantation Division (excluding Coffee Curing Works). Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a Public Company shall not, without the consent of such Public Company in General Meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking of the whole or substantially the whole of such undertaking.

Hence, the Resolution set out in Item No. 7 seeks the consent and approval of the Members as required under Section 293(1)(a) of the Companies Act, 1956, for the creation of the said mortgage/charge of the Company's properties.

The Directors, therefore, recommend this resolution for adoption.

Inspection of Documents

Letter No. IICDK/25076 dated 8th June, 1989 received from The Industrial Credit and Investment Corporation of India Limited agreeing to lend Rs. 260 lacs under PFPS with IDBI, IFCI and IRBI.

Interest of Directors

None of the Directors are interested in the above resolution, excepting Mr. S. Ragothaman, as a nominee of Industrial Credit and Investment Corporation of India Limited.

REPORT OF THE DIRECTORS

Your Directors present the Twentieth Annual Report on the working of the Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 30th June, 1989.

The financial results for the year are as follows :

	1988-89	1987-8
	(Rs. in lacs)	
Profit before interest and Depreciation	916.73	477.0
Less : Interest	390.15	659.9
Profit/(Loss) before Depreciation	526.58	(182.9
Operating results of the Chemicals Division	(11.73)	73.6
Depreciation	153.72	99.8
Profit/(Loss) before tax	384.59	(356.3
Provision for taxation	30.00	.
Profit/(Loss) after tax	354.59	(356.3

Your Directors have made the following appropriations for the year.

Transfer to Investment Allowance Reserve	6.00	.
Transfer to General Reserve	160.00	.
Proposed Equity Dividend at 12.5%	94.32	.
Balance carried to Balance Sheet	94.27	(356.36
	354.59	(356.36

DIVIDEND

In view of the good operative results reported, your Directors have great pleasure in resuming payment of dividend by recommending a dividend of 12.5% for the year under review subject to deduction of tax at source.

PHYSICAL PERFORMANCE

The production and turnover particulars of the various divisions are as follows:

PRODUCTION				TURNOVER	
				(Rs. in lacs)	
1987-88		1988-89		1988-89	1987-8
			TEXTILES		
46,56,157	kgs	54,03,586	Yarn	3,393.32	2,557.10
4,94,811	mtrs	...	Cloth	133.20@	408.29
			Waste	111.59	71.57
				3,638.11	3,036.96
			PLANTATIONS		
30,32,993	kgs	23,57,279	Tea	708.98	719.14
761	tonnes	1,309	Coffee	339.65	160.63
				1,048.63	879.77

PRODUCTION				TURNOVER (Rs. in lacs)	
1987-88		1988-89		1988-89	1987-88
			FERTILISERS		
44,204	tonnes	55,215	Super Phosphate	454.17	335.36
22,598	tonnes	27,502	Sulphuric Acid	105.71	66.37
33	tonnes	13	Sodium Silico Fluoride	0.78	1.81
28,090	tonnes	27,800	Mixtures	502.29	465.28
8,382@	tonnes	3,672@	Straight Fertilisers	53.09@	96.29@
135@	tonnes	11@	Pesticides	0.49@	2.10@
				1116.53	967.21
			COFFEE CURED		
9,004	tonnes	8,556	Curing Charges	79.01	75.20
			GRAND TOTAL	5,882.28	4,959.14

@ trading only
includes trading

EXTILES DIVISION

his Division has made an excellent recovery and contributed ubstantially to the profitability of the Company during the year nder review. The major contributory factors are:

) better capacity utilisation – it was 95% in Mill No. 1, 93% Mill No. 2 and 85% in Adoni Mill as against 84%, 93% and 9% respectively during the previous year; (ii) better raw aterial availability – we were able to buy adequate quantities f cotton during the season at competitive/bargainable prices. esides, the cost was on an average less by 4% than the revious year and (iii) the yarn price which was steady during e first half of the year under review, showed an upward trend nd fetched better realisation for our yarn. All these resulted a cash profit of Rs. 219.35 lacs against Rs. 250 of lacs cash ss during the previous year in this division.

he Directors are also glad to inform that modernisation of the wo mills at Coimbatore is being undertaken at an estimated ost of Rs. 325 lacs, for which the financial institutions have anctioned a loan of Rs. 260 lacs at an interest rate of 11.5% .a. The modernisation is expected to be completed by June, 990. The modernisation will improve the working of the mills nd thereby the contribution.

LANTATIONS DIVISION

offee

 favourable monsoon and timely blossom shower during the revious season in the State of Karnataka where our Coffee states are situated, have resulted in a record coffee crop of ,309 tonnes as against the estimate of 1,200 tonnes and 761 tonnes harvested last year. For the current year 1989-90 we expect a coffee crop of 960 tonnes on the basis of blossom showers received so far.

Tea

We had estimated for the year ended June 1989 a tea crop of 31 lac kgs against which we harvested a crop of only 23.60 lac kgs. This was on account of inadequate rains during the previous monsoon season in Nilgiris and Anamalais where our tea estates are situated. It may be pertinent to point out here that South Indian tea crop was lower by about 30% in 1988-89 as against the original estimates. Though the crop was less, the realisation on tea was more, to offset substantially the loss in the crop.

Nevertheless, the outlook for the current year is quite promissing on account of the current active South West Monsoon over Nilgiris and Anamalais and our estimates for the current year is 30 lac kgs of Tea which compares favourably with the estimated projections of South Indian tea crop.

CURING WORKS

We have cured 8,556 tonnes during 1988-89 as against 9,004 tonnes in 1987-88. We estimate to cure next year atleast 10,000 tonnes. Comparing the lower All India coffee crop for the season 1987-88 of 1.22 lac tonnes the quantity received and cured during 1988-89 by us is remarkable.

FERTILISER DIVISION

We had achieved record production of 55,215 tonnes of Superphosphate and 27,502 tonnes of Sulphuric Acid as against 44,204 tonnes of Superphosphate and 22,598 tonnes of Sulphuric Acid during last year registering an increase of 25% and 21% respectively. We were able to achieve this on account of the timely expansion and modernisation undertaken two years back in our Fertiliser Plants. The production of NPK Mixtures had been 27,800 tonnes as against 28,090 tonnes for the previous year. For the current year, we target to produce 65,000 tonnes of Superphosphate and 30,000 tonnes of Sulphuric Acid and 30,000 tonnes of NPK Mixtures.

CHEMICAL DIVISION

Messrs. Southern Petrochemical Industries Corporation Limited (SPIC) started the operation of the Chemical Division in their name from 20.10.1988. The Sale Deed and other connected legal formalities were completed on 15th June, 1989. As per the Agreement of Sale dt. 25.7.1987, the profit/loss pertaining to the Division from 1.8.1987 to 19.10.1988, is to the account of SPIC. The accounts under review reflect the effect of sale of this Division.

WORKING CAPITAL DEBENTURES

Out of the Privately Placed Working Capital Debentures of Rs. 530 lacs, this Company has retained Rs. 165 lacs as pertaining to its Plantation, Fertiliser and Textiles Divisions (out of which Rs. 33 lacs paid during the year) and the balance of Rs. 365 lacs have been transferred to SPIC. Rs. 150 lacs worth of Working Capital Debentures Privately Placed with Financial Institutions earlier, together with the debentures of Rs. 165 lacs were utilised for working capital purposes of the Company. The outstanding liability on Working Capital Debentures as on 30.6.1989 was Rs. 282 lacs.

DEPOSITS

As of 30.6.1989 deposits amounting to Rs. 4.02 lacs remain unclaimed. A sum of Rs. 0.67 lac has since been repaid leaving a balance of Rs. 3.35 lacs regarding which, the Company has not received any instructions.

UNCLAIMED DIVIDEND

The Members are aware that the Company had been advised that the unclaimed dividend need not be transferred to a separate account as envisaged under Section 205A of the Companies Act, 1956 and accordingly had obtained a stay order from the Honourable High Court of Madras from transferring the unclaimed dividend pertaining to the years upto 1981-82. Consequent to the Amendments to the Companies Act, 1956 in 1988, the Company had deposited a sum of Rs. 3,80,874 to the Government account, unclaimed dividend for the years 1982-83 and 1983-84.

PROSPECTS FOR THE YEAR

Due to the good turnaround made by the Textiles Division the firm trend continuing in the Textiles front and also account of the good monsoon throughout South India resul in increased crop of tea and with the current ruling prices tea the Company expects to do better in the current yea

DIRECTORS

Dr. B. Gopala Reddi, Mr. P.G. Daftary and Mr. K.S. Narayan retire by rotation at the ensuing Annual General Meeting are eligible for re-appointment. Mr. M.R.M. Punja who v appointed as a Wholetime Director for 5 years from 1.9.1 has relinquished his Directorship on 30.4.1989. Your Direct wish to place on record their deep appreciation for the guida and services rendered by Mr. M.R.M. Punja.

AUDITORS

Messrs M.K. Dandeker and Company and Messrs Fraser Ross, Auditors of the Company are eligible for reappointme Their appointment has to be made by a Special Resolut pursuant to Section 224A of the Companies Act, 1956.

AUDITORS' REPORT

With regard to the remarks in the Auditors' Report, the clai with regard to incometax, customs duty, salestax, power ta etc. are disputed; the premium on debenture is proposed to provided on redemption; the Company is contributing to gratuity fund, incremental liability of the previous year dur the current year and the balance on voluntary retirem payment will be written off over the next three years.

PARTICULARS OF EMPLOYEES

Information pursuant to Section 217(2A) of the Companies A 1956 read with the Companies (Particulars of Employees) Ru 1975 and Companies (Amendment) Act, 1988 and forming p of the Directors' Report for the year ended 30th June, 19 is annexed to this report.

COMPANIES (DISCLOSURE OF INFORMATION IN DIRECTO REPORT) RULES 1988

The information required as per Section 217(1)(e) of t Companies Act, 1956 read with the Companies (Disclosure Information in Directors' Report) Rules, 1988 is given in t annexure forming part of this Report.

SUBSIDIARIES

Members are aware that the annual accounts of KOTHARI (Madras) INTERNATIONAL LIMITED and SECURITIES OPERATIONS AND INVESTMENT COMPANY LIMITED were being closed on 30th June each year. To be in line with the amendments to the Income-tax Act the accounts of these two companies were closed as of 31st March, 1989, covering a 9 month period from 1.7.1988 to 31.3.1989. For the period of 9 months Kothari (Madras) International Limited has reported a profit of Rs. 0.60 lac and Securities Operations and Investment Company Limited did not carry out any activity for the period ended 31.3.1989.

ACKNOWLEDGEMENT

Your Board of Directors would like to take this opportunity to acknowledge the co-operative and constructive work of the Executives, Staff and Workers at all levels, the Banks for the timely help and Financial Institutions for their support in all our endeavours.

ABRIDGED ACCOUNTS

As per the amended provisions of the Companies Act, 1956, an Abridged Balance Sheet and Profit and Loss Account is being sent to all the shareholders of the Company. Any shareholder is interested in having a copy of the full Balance Sheet and Profit and Loss Account may write to the Company Secretary at the Registered Office of the Company.

On behalf of the Board of Directors

MADRAS
11th September, 1989.

Dr. D.C. KOTHARI
Chairman

INFORMATION REQUIRED UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956

(A) Conservation of energy

a. Energy conservation measures:

Textiles :

Reduced Wharve Dia. spindles and Nylon Sandwich tapes are introduced in part of Spinning Section to reduce the energy consumption.

Fertiliser :

The Company has changed already the process to DCDA for production of Superphosphate.

b. Proposals

Textiles :

Replacement of low efficiency motors and shifting of capacitor banks to places near the consumption points are engaging attention.

c. Impact of the measures of (a) and (b) above are not immediately quantifiable.

d. Total energy consumption and energy consumption per unit of production.

As per Form 'A'

(B) Technology absorption

As per Form 'B'

(C) Foreign Exchange earnings and outgo

The Company is regularly exporting yarn to such diverse countries like Poland, Australia, etc. However, during the year, in order to meet the local demand, the export was curtailed. Efforts are being taken to identify new markets for yarn.

The Company's other product viz. Tea which is mostly sold in auctions are exported by the bidders.

Coffee Board exports Coffee to whom the entire Coffee production of the Company is pooled.

Total foreign exchange used Rs. 9.25 lacs, earned Rs. 27.62 lacs.

Form 'A'

(A) Power and Fuel consumption

		CURRENT YEAR			PREVIOUS YEAR		
		TEXTILES	TEA	FERTILISER	TEXTILES	TEA	FERTILISER
1. Electricity							
a. Purchased							
Units		16980736	1418024	2326480	16239278	1492187	1765663
Total Amount	Rs.	15164736	1453145	2311843	13682267	1372812	2209536
Rate per Unit	Rs.	0.89	0.96	0.99	0.84	0.92	0.95
b. Own generation through diesel generator							
Units		8486784	565649	136495	7530961	938726	374010
Units per litre of diesel oil		3.30	2.47	2.71	3.24	2.40	2.97
Cost per unit	Rs.	1.30	1.74	1.78	1.41	1.75	1.64
2. Furnace Oil							
Quantity	Litres	15966	–	–	45492	–	–
Total cost	Rs.	54848	–	–	156075	–	–
Average rate per litre	Rs.	3.44	–	–	3.43	–	–

(B) Consumption per unit of Production

Electricity	CURRENT YEAR (Units)	PREVIOUS YEAR (Units)	REASONS FOR VARIATIONS
Yarn—per Kg.	3.49	3.56	Higher Capacity Utilisation
Tea—per Kg.	0.84	0.80	Lesser production
Superphosphate—per MT.	24	30	Higher Production
Sulphuric Acid—per MT.	42	51	--do--

Form 'B'

(a) Research and Development (R & D)

The Company has no seperate R & D department. The Company is a member of South India Textile Research Association, United Planter's Association of Southern India and Fertiliser Association of India who communicate the latest information on the research carried out by them.

(b) Absorption of Technology

Does not arise in the case of the Company.

othari Industrial Corporation Limited

EPORT OF THE AUDITORS

e Members of
thari Industrial Corporation Limited (On the unabridged counts for adoption at the ensuing Annual General Meeting.)

e have obtained all the information and explanations which the best of our knowledge and belief were necessary for the rpose of our audit. In our opinion, proper books of account required by law, have been kept by the Company so far as pears from our examination of those books.

e have examined the attached Balance Sheet as at 30th June, 89 and the annexed Profit and Loss Account for the year ded on that date, which are in agreement with the books of count. The Capital Loss arising from sale and transfer of the dertaking of Chemicals Division as a going concern has been t off against the Fixed Assets Revaluation Reserve and this ss has not been taken into account in arriving at the profits ailable for appropriations, vide Notes 4 and 5 of Schedule 17. our opinion, and to the best of our information and planations given to us, the said accounts together with the tes thereon, give the information required by the Companies t, 1956 in the manner so required, and subject to:

te 1 regarding non-provision of disputed excise and customs ties and sales tax demands of Rs. 11.09 lacs, disputed come tax demand of Rs. 11.72 lacs, disputed differential wer tariff of Rs. 171.64 lacs, proportionate premium on demption of debentures of Rs. 7.79 lacs, non-provision of atuity to employees of Rs. 407.13 lacs relating to earlier years d carry forward of Rs. 80.38 lacs being payment relating to luntary retirement;

te 2 regarding non-opening of a separate bank account for cashed dividend warrants and non-remittance to Government count of unpaid dividends of Rs. 7.43 lacs;

te 3 regarding the reappointment of and remuneration to the anaging Directors and former Whole-time Directors requiring ntral Government approval;

e Balance Sheet gives a true and fair view of the state of e Company's affairs as at 30th June, 1989 while the Profit d Loss Account gives a true and fair view of the profit for e year ended on that date.

terms of the Manufacturing and Other Companies (Auditor's port) Order, 1988 and on the basis of such checks as we nsidered appropriate, we further state that:

1. The Company has maintained records showing quantitative details and situation of fixed assets at divisions which are being updated to include additions during the year. All the assets have not been physically verified by the management during the year but there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification. The management has informed us that reconciliation of the values of the numerous items of furniture and fittings with the general ledger is not feasible.

2. Lands at the Plantation Estates have been revalued during the year. Other Fixed Assets have not been revalued.

3. The stocks of finished goods of Yarn, Cloth, Chemicals, Fertilisers, Tea etc., raw materials, stores and spare parts at all locations have been physically verified by the Management at reasonable periods and those at stock points/third parties with reference to independent confirmation wherever received with the exception of certain bulk stock of raw materials finished goods in Fertiliser Division.

4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies noticed on verification between the physical stocks and the book stocks which have not been material were dealt with in the books of account after review.

6. The valuation of raw materials, semi-finished goods and stores has been at cost. Finished goods comprising yarn, cloth, fertilisers, tea etc., and coffee have been valued at since realised/realisable prices which is also one of the normally accepted methods of valuation. On the basis of our examination of stocks, the valuation of stocks is fair and reasonable and is on the same basis as in the previous year.

7. In our opinion, the rates of interest and the terms and conditions of loans obtained from companies, firms or other parties listed in the registers maintained under Section 301 and from Companies under the same management under Section 370(1-B) and from Directors are not *prima facie* prejudicial to the interest of the Company.

8. Loans and advances in the nature of loans, have been given to planter customers, employees and others who are repaying the principal amounts as stipulated and also are generally regular in payment of interest wherever applicable with the exception of the matters referred to in Note 22 (a) and 22 (b).

9. In our opinion and according to the information and explanations given to us during the course of our audit, the internal control procedures for the purchase of materials, stores, packing materials, components, plant and machinery, equipment and other assets and with regard to sale of goods are generally adequate considering the size of the Company and the nature of its business.

10. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.

11. Unserviceable or damaged stores, raw materials and trading stocks are determined at the close of the year and adequate amounts are being written off after review in the accounts.

12. The Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.

13. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap and by-products.

14. The internal audit was carried out by an external firm of Chartered Accountants and is generally commensurate with the size of the Company and the nature of its business.

15. According to the records produced and information given to us, we have seen that *prima facie* the cost records and the accounts as prescribed by the Central Government for Textiles, Caustic Soda and Sulphuric Acid under Section 209(1)(d) of the Companies Act, 1956 have been maintained by the Company and no examination of su records and accounts has been carried out by us.

16. The Company has been generally regular in remitti Provident Fund and Employees State Insurance dues wi appropriate authorities.

17. According to the information and explanations given to u no undisputed amounts payable in respect of incometa sales tax, customs duty and excise duty were outstandi as at 30th June, 1989 for a period of more than six mont from the date they became payable.

18. According to the information and explanations given to u no personal expenses of employees or directors have be charged to revenue account, other than those payab under contractual obligations or in accordance wi generally accepted business practice.

19. The Company is not a sick industrial company within t meaning of clause (o) of sub-section (1) of Section 3 the Sick Industrial Companies (Special Provisions) Ac 1985.

20. The Company's Coffee Curing Works has a system recording receipts, issues and consumption of materi and stores which is reasonable and commensurate wi the size and nature of its business. As the remunerati for coffee curing is fixed by the Coffee Board for t industry as a whole, the allocation of materials and ma hours to each of the jobs is not considered necessar There is a reasonable system of authorisation at prop levels with necessary controls on the issue of stores.

For FRASER & ROSS

N. SRINIVASAN
Partner
Chartered Accountants

For M.K. DANDEKER & C

K.J. DANDEK
Partn
Chartered Accountan

Madras
11th September, 1989.

BRIDGED BALANCE SHEET AS AT 30TH JUNE, 1989

	As at 30-6-89	Rupees in lacs As at 30-6-88
SOURCES OF FUNDS		
(1) SHAREHOLDERS' FUNDS		
(a) Capital		
Equity	**754.54**	754.54
(b) Reserves and Surplus		
(i) Capital Reserves	**143.30**	143.30
(ii) Revenue Reserves	**340.58**	772.29
(iii) Revaluation Reserve [Note 6(i)]	**4,145.32**	3,285.01
(iv) Surplus in Profit and Loss Account	**94.27**	–
	5,478.01	4,955.14
(2) LOAN FUNDS		
(a) Debentures	**282.00**	1,517.98
(b) Public Deposits	**125.84**	243.63
(c) Secured Loans (other than Debentures)	**885.83**	1,979.57
(d) Unsecured Loans	**67.83**	560.08
	1,361.50	4,301.26
Total of (1) and (2)	**6,839.51**	9,256.40
APPLICATION OF FUNDS		
(1) FIXED ASSETS		
(a) Net Block [Note 6(i)] (Original cost less depreciation)	**5,343.19**	8,678.77
(b) Capital Work-in-progress	**2.42**	8.43
	5,345.61	8,687.20
(2) INVESTMENTS		
(a) Government Securities	**0.08**	0.08
(b) Investment in subsidiary companies-Unquoted	**5.00**	5.00
(c) Others		
(i) Quoted	**284.08**	287.25
(ii) Unquoted	**1.93**	3.08
	291.09	295.41

ABRIDGED BALANCE SHEET AS AT 30TH JUNE, 1989 *(Contd.)*

	As at 30-6-89	Rupees in A 30-
(3) (i) CURRENT ASSETS, LOANS AND ADVANCES		
(a) Inventories	968.26	1,19
(b) Sundry Debtors	531.60	97
(c) Cash & Bank balances	231.46	25
(d) Other Current Assets	0.18	
(e) Loans and Advances		
To Subsidiary Companies	0.81	
To Others	347.47	53
	2,079.78	2,97
Less :		
(ii) CURRENT LIABILITIES AND PROVISIONS		
(a) Liabilities	783.53	2,75
(b) Provisions	184.50	6
	968.03	2,81
NET CURRENT ASSETS (i) – (ii)	1,111.75	16
(4) MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	91.06	11
Total of (1) to (4)	6,839.51	9,25

Notes form part of this Balance Sheet.

For FRASER & ROSS
N. SRINIVASAN
Partner
Chartered Accountants

For M.K. DANDEKER & CO
K.J. DANDEKER
Partner
Chartered Accountants

For and on behalf of the Board

Dr. D.C. KOTHARI
Chairman and Managing Director

P.D. KOTHARI
Vice-Chairman and Managing Director

D.B. SAXENA
Director

V. GOPAL RAO
Company Secretary

Madras
11th September, 1989.

RIDGED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1989

	1988-89	Rupees in lacs 1987-88
INCOME		
(a) Sales Services rendered (Annexure I)	7,439.10	8,380.69
(b) Dividend	1.23	1.12
(c) Interest	21.47	26.58
(d) Other Income	235.15	118.13
Total	7,696.95	8,526.52
EXPENDITURE		
(a) Cost of goods consumed/sold		
(i) Opening Stock	853.89	1,026.51
(ii) Purchases	3,272.26	2,944.01
Less : Closing Stock	900.90	853.89
	3,225.25	3,116.63
(b) Manufacturing expenses	1,787.63	3,116.49
(c) Selling expenses	304.46	360.02
(d) Salaries, wages and other employee benefits	1,177.68	1,166.13
(e) Managerial remuneration	6.06	5.38
(f) Interest	390.78	659.94
(g) Depreciation	153.72	99.80
(h) Auditors' remuneration	1.99	2.02
(i) Other expenses	276.52	282.81
	7,324.09	8,809.22
Operating results of Chemicals Division (Note 8)	(11.73)	73.66
Total	7,312.36	8,882.88
Profit/(Loss) before tax (I-II)	384.59	(356.36)
Provision for taxation	30.00	–
Profit/(Loss) after tax	354.59	(356.36)
Proposed Dividend on Equity Shares @ 12.5%	94.32	–
Transfer to Reserves/Surplus		
(a) Investment Allowance	6.00	–
(b) General	160.00	(356.36)
(c) Surplus	94.27	–

nexure I and Notes form part of this Profit and Loss Account.

FRASER & ROSS	For M.K. DANDEKER & CO	For and on behalf of the Board	
SRINIVASAN	K.J. DANDEKER	Dr. D.C. KOTHARI	P.D. KOTHARI
tner	*Partner*	*Chairman and*	*Vice-Chairman and*
rtered Accountants	*Chartered Accountants*	*Managing Director*	*Managing Director*
dras		D.B. SAXENA	V. GOPAL RAO
h September, 1989.		*Director*	*Company Secretary*

ANNEXURE I : SALES/SERVICES

Class of goods	Units	Current year Quantity	Current year Value Rs. in lacs	Previous year Quantity	Previous year Value Rs. in lacs
TEXTILES					
Cloth	Mtrs.	8,30,392	133.20	24,33,495	408.29
Yarn	Kgs.	55,88,550	3,393.32	45,15,250	2,557.10
Others		–	111.59	–	71.57
PLANTATIONS					
Tea	Kgs.	27,56,333	708.98	29,98,301	719.14
Coffee	Kgs.	13,09,270	339.65	7,60,630	160.63
FERTILISERS					
Own Manufacture					
Superphosphate	MTs	50,909	454.17	37,927	335.36
Sulphuric Acid	MTs	6,131	105.71	6,486	66.37
Mixtures	MTs	27,819	502.29	27,804	465.28
Sodium Silico Fluoride	MTs	13	0.78	33	1.81
Trading					
Ground Rock	MTs	1,032	14.99	2,769	30.27
Urea	MTs	327	6.98	737	16.31
Complex Fertilisers	MTs	11	0.29	1	0.02
Muriate of Potash	MTs	408	4.94	823	10.50
uphala	MTs	92	1.89	29	0.62
thers	MTs	1,789	24.00	3,075	38.57
esticides	MTs	34	0.49	149	2.10
CHEMICALS *(Note 8)*					
Caustic Soda	MTs	14,631	980.13	45,953	2,736.79
Liquid Chlorine	MTs	8,779	106.10	26,370	277.36
Hydrochloric Acid	MTs	11,841	38.75	38,104	127.65
Ammonium Chloride	MTs	1,112	69.36	2,035	129.78
			6,997.61		8,155.52
Curing Charges	MTs	8,556	79.01	9,004	75.20
Subsidy on Phosphatic Fertilisers			362.48		149.97
Total			7,439.10		8,380.69

NOTES :

	Rupees in lacs
1. No provision has been made for	
(a) Disputed excise and customs duties and sales tax demands under appeal	11.09 (11.09)
(b) Disputed Income-Tax demand under appeal	11.72 (11.72)
(c) Disputed differential power tariff from January 1987 to June 1987 and withdrawl of concessions allowed for the period May 1982 to November 1983 on power consumption charges challenged under Writ petitions and covered by stay orders	171.64 (171.64)
(d) Proportionate premium on redemption of debentures	7.79 (7.79)

NOTES (Contd.)

		Rupees in lacs
(e)	Gratuity to employees payable in future (actuarially ascertained)	**407.13** (383.81)
(f)	Gratuity and ex-gratia under Voluntary Retirement Scheme Balance to be written off	**80.38** (102.03)

2. Unclaimed dividends represent dividend warrants relating to years upto 1981-82 remaining uncashed of Rs. 7.43 lacs for which a separate bank account, based on legal opinion, has not been opened therefor for remittance to the credit of Government therefrom and the Company had filed a Writ petition before the High Court of Madras, in this regard.

3. (a) Approval of the Central Government is required for reappointment of and remuneration including perquisites of Rs. 6.55 lacs to a former Wholetime Director for the period from 1.9.82 to 30.8.86 and Rs. 11.43 lacs (for the year Rs. 2.34 lacs) to another Wholetime Director for the period from 1.9.82 to 30.4.89 (date of relinquishment).

(b) Approval of the Central Government is awaited for revised minimum remuneration with effect from 12.6.87 for the Chairman and Managing Director amounting to Rs. 3.68 lacs (for the year Rs. 1.84 lacs) and with effect from 1.7.87 for the Vice-Chairman and Managing Director amounting to Rs. 3.72 lacs (for the year Rs. 1.69 lacs) as per the terms of reappointment approved by the shareholders on 20.2.87.

4. The sale and transfer formalities relating to the undertaking of Chemicals Division as a going concern in favour of Southern Petrochemical Industries Corporation Limited (SPIC) have been completed during the close of the year, which has resulted in net capital loss of Rs. 516.43 lacs including provision for doubtful debts of Rs. 30.39 lacs in respect of erstwhile debtors of the Chemicals Division not taken over by SPIC and after adjustment of Investment Allowance Reserve of Rs. 640 lacs referable to that division. The capital loss of Rs. 516.43 lacs has been absorbed against Fixed Assets Revaluation Reserve.

The above treatment in the accounts is supported by expert independent legal opinion confirming that :

(i) The capital loss on sale of Chemicals Division at a slump price should not be debited to Profit and Loss account in the light of provisions of Section 211(2) read with Schedule VI of the Companies Act, 1956 and

(ii) The Capital Loss on the sale of that division can be set off against the Fixed Assets Revaluation Reserve representing surplus on revaluation of lands, buildings and plant and machinery of other divisions.

(iii) The Company has relied upon the legal opinion that the capital loss on sale of Chemicals Division adjusted against Fixed Assets Revaluation Reserve need not be considered for the purpose of declaring dividend for the year ended 30th June, 1989.

5. The losses of earlier years had already been adjusted in the respective years against profits of earlier years credited to the General Reserve.

6. (i) As on 30th June 1989 the non-depreciable plantation lands alone have again been revalued based on the present market values of coffee and tea plantations indicated by the United Planters' Association of Southern India and the enhancement in the value between 30th June 1983 (being the date of the first revaluation) and 30th June 1989 amounting to Rs. 1,675.98 lacs of such plantation lands has been credited to the Fixed Assets Revaluation Reserve. Depreciation for the year amounting to Rs. 154.07 lacs (Rs. 162.77 lacs) on incremental value of depreciable assets on revaluation earlier made as on 30.6.1984 has been charged against the Fixed Assets Revaluation Reserve.

(ii) As in the preceding year, depreciation has been provided on straight line basis taking into account multiple shift working, at the rates fixed for in the year of acquisition in respect of assets relating to modernisation of Textiles Division and at the Written Down Value rates prescribed in Schedule XIV of the Companies Act, 1956 in respect of other assets.

(iii) Double and Triple Shift allowances relating to Plant and Machinery of Textiles Division not provided upto the year ended 30.6.87 amounting to Rs. 62.47 lacs have now been provided. Likewise double and triple shift depreciation on the incremental value of such Plant and Machinery on revaluation amounting to Rs. 131.10 lacs upto the year ended 30.6.87 has also been adjusted against the Fixed Assets Revaluation Reserve.

7. (a)	Contingent liabilities	**Rs. 374.01 lacs** (Rs. 1,107.85 lacs)
(b)	Commitment on Capital Account	**Rs. 185.50 lacs** (Rs. 6.24 lacs)

8. Pursuant to the agreement of Sale of Chemicals Division to SPIC, the loss for the period from 1.7.88 to 19.10.88 (being the date upto which the division was run in KICL's name) which amounted to Rs. 11.73 lacs, is to the account of SPIC.

9. Market value of quoted investments is Rs. 273.27 lacs (Rs. 251.99 lacs).

Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956 forming part of the Balance Sheet as at 30th June, 1989.

A. The interest of Kothari Industrial Corporation Limited in the undernoted subsidiaries at the close of their financial year ende on 30th June, 1989 was as follows :

Name of the Subsidiary	Extent of Interest
1. Kothari (Madras) International Limited	5,000 Equity Shares of Rs. 100 each out of 5,003 Equity Shares c Rs. 100 each.
2. Securities Operations and Investment Company Limited	Entire paid-up capital consisting of 8 Equity Shares of Rs. 10 each an 18-13.5% Cumulative Preference Shares of Rs. 10 each is held by th Company and/or its nominees.

B. The Profit/Losses of the Subsidiary Companies, so far as they concern the members of Kothari Industrial Corporation Limitec which are not dealt with in the Company's Accounts are :

Name of the Subsidiary	For Nine months ended 31.3.89	For the previous financial years since they became subsidiaries
1. Kothari (Madras) International Ltd.	Profit Rs. 53,009	Profit Rs. 5,69,136
2. Securities Operations and Investment Company Ltd.	Loss Rs. 3,240	Loss Rs. 34,391 including preliminary expenses of Rs. 14,101

C. There is no change in the holding Company's interest in the subsidiaries between 1.4.1989 and 30.6.1989. Further ther is no material change between 1.4.1989 and 30.6.1989, requiring mention, as per Section 212 (5) (b) of the Companies Act 1956.

For and on behalf of the Board

	Dr. D.C. KOTHARI *Chairman and Managing Director*	P.D. KOTHARI *Vice-Chairman and Managing Director*
Madras 11th September, 1989.	D.B. SAXENA *Director*	V. GOPAL RAO *Company Secretary*

BOARD OF DIRECTORS

M.R.M. PUNJA *Chairman*
A.K. MODI
C.S. MENON
A.K.R. PRABHU

SECRETARY
S. SUNDARESAN

BANKERS
State Bank of India

AUDITORS
Shah & Desai
Chartered Accountants, Madras

REGISTERED OFFICE
'Kothari Buildings'
114, Nungambakkam High Road,
Madras-600 034.

BOMBAY OFFICE
144-145, Mittal Court,
A Wing, 14th Floor,
Nariman Point, Bombay-400 021.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Report with the Annual Accounts for the period from 1.7.1988 to 31.3.1989, for a period of 9 months.

The results of the Company for the period under report are as follows :

	1.7.1988 to 31.3.1989 (9 months)	1987-88 (12 months)
	Rs.	Rs.
Profit for the year before Depreciation	60,624	1,09,113
Less : Depreciation	83	126
	60,541	1,08,987
Add : Balance brought forward from previous year	5,69,477	4,60,490
	6,30,018	5,69,477
Less : Provision for taxes	7,500	...
	6,22,518	5,69,477

REVIEW OF PERFORMANCE

The turnover for the 9 month period was Rs. 51,18,988 as against Rs. 94,82,080 last year. During the 9 month period the Company exported yarn and the exports are being stepped up during the current year.

DIVIDEND

No dividend is being recommended.

DIRECTORS

Messrs M.R.M. Punja and A.K.R. Prabhu are due to retire by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment.

DEPOSITS

The Company has not accepted any fixed deposits.

DISCLOSURE OF PARTICULARS UNDER "THE COMPANIES (DISCLOSURES OF PARTICULARS IN REPORT OF THE BOARD OF DIRECTORS) RULE, 1988" UNDER SECTION 217 OF THE COMPANIES ACT, 1956 :

Your Directors have to report that this Company being a Trading Company, there are no manufacturing or other activity and hence no expenditure on power and fuel.

Your Company is also not involved in any Research and Development activity and has not incurred any expenditure towards the same.

The foreign exchange outgo equivalent to Rs. 20,92,314/- as against previous year's figure of Rs. 33,061/- has been incurred. The foreign exchange earnings have been equivalent to Rs. 18,56,844/- as against Rs. 94,82,080/- for the previous year.

The Company is taking all efforts to export to various countries.

AUDITORS

M/s. Shah & Desai retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment. The necessary letter of confirmation pursuant to Section 224(1B) of the Companies Act, 1956 has been obtained from the Auditors.

PARTICULARS OF EMPLOYEES

No employee was paid a salary of Rs. 6,000/- or more per month for the year or part of the year under report.

On behalf of the Board of Directors

MADRAS
22nd June, 1989.

M.R.M. PUNJA
Chairman

REPORT OF THE AUDITORS

We have audited the attached Balance Sheet of KOTHARI (Madras) INTERNATIONAL LIMITED as at 31st March 1989 and the Profit and Loss account for the Nine months ended on that date annexed thereto and report that :-

1. As required by the Manufacturing and other companies (Auditor's Report) order, 1988, issued by the Central Government in terms of Sec. 227 (4-A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we state 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 appears from our examination of such books.
   (c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
   (d) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.
      (i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March 1989 and
      (ii) in so far as it relates to the Profit and Loss Account, of the Profit of the Company for the period of nine months ended on that date.

For SHAH & DESAI
Chartered Accountants

Madras
22nd June, 1989

K.J. DANDEKER
Partner

ANNEXURE

Re : KOTHARI (Madras) INTERNATIONAL LIMITED
Referred to in paragraph 1 of our report of even date.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have been physically verified by the Management during the year by a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
4. In respect of loans and advances in the nature of loans given by the Company, parties have repaid the principal amounts as stipulated and have also been regular in the payment of interest, wherever charged.
5. 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 with regard to purchases of stocks, plant and machinery, equipment and other assets and with regard to sale of goods.
6. In our opinion and according to the information and explanations given to us, the transactions of purchase/sale of goods and materials and services rendered, in pursuance of contracts or arrangements entered in the register maintained under Sec. 301 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at reasonable prices having regard to the prevailing market prices for similar transactions with other parties.
7. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged goods. Adequate provision has been made in the accounts for the loss arising on such items.
8. The Company has not accepted deposits of any kind from the public.
9. Since the share capital of the Company is less than Rs. 25 lacs, the provision regarding internal audit is not applicable.
10. The Company has maintained reasonable records of job/man hours, allocation of services rendered. There is a reasonable system of authorisation at proper levels with necessary controls on allocation of man-hours to job. In our opinion, the question of generation and disposal of scrap, etc. does not arise.
11. According to the records of the Company, Provident fund and Employees' State Insurance dues have been regularly deposited during the period with the appropriate authorities.
12. According to the information and explanations given to us no undisputed amounts payable in respect of income tax wealth tax, sales tax, customs duty and excise duty were outstanding as at 31st March 1989 for a period of more than six months from the date they became payable.
13. According to the information and explanations given to us no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
14. The provisions of Sick Industrial Companies (Special Provisions) Act, 1985, is not applicable to this Company.
15. In our opinion, none of the other provisions of the Order apply to this Company.

For SHAH & DESAI
Chartered Accountants

Madras
22nd June, 1989

K.J. DANDEKER
Partner

BALANCE SHEET AS AT 31.3.1989

ABILITIES		As at 31-3-1989 Rs.	As at 30-6-1988 Rs.
HARE CAPITAL			
uthorised			
).000 Equity Shares of Rs. 100 each		10,00,000	10,00,000
sued, Subscribed and Paid-up			
.003 Equity Shares of Rs. 100 each fully paid-up (includes 5,000 quity Shares held by Kothari Industrial Corporation Limited, the olding Company)		5,00,300	5,00,300
ESERVES AND SURPLUS			
urplus			
alance in Profit and Loss Account		6,22,518	5,69,477
URRENT LIABILITIES AND PROVISIONS			
urrent Liabilities			
undry Creditors — Others	1,000		1,000
dvance for supplies	6,000		6,000
ther Liabilities	2,64,948		2,86,884
	2,71,948		2,93,884
rovision			
or Taxation	58,521		51,021
		3,30,469	3,44,905
		14,53,287	14,14,682

his is the Balance Sheet referred to in our report of even date.

For SHAH & DESAI
Chartered Accountants

K.J. DANDEKER
Partner

Madras
!2nd June, 1989.

ASSETS			As at 31-3-1989 Rs.	As at 30-6-1988 Rs.
FIXED ASSETS				
As per Schedule 1			31,963	32,046
INVESTMENTS — At Cost				
Non-Trade — Quoted				
4,500 Equity Shares @ Rs. 10 each of Kothari Orient Finance Limited (Market Value Rs. 45,000)			45,000	45,000
CURRENT ASSETS, LOANS AND ADVANCES				
A. **Current Assets**				
1. Sundry Debtors (Unsecured considered good due for less than six months)		—		83,800
2. Cash and Bank Balances				
(a) Cash on hand		1,720		333
(b) Balance with Scheduled Banks				
1. In Current A/c		11,08,374		4,86,846
2. In Deposit A/c (Margin Money for guarantee issued by bank)		18,963		18,963
			11,29,057	5,89,942
B. **Loans and Advances**				
1. Advances				
(i) Unsecured, considered good (recoverable in cash or in kind or for value to be received)				
(a) For taxes		56,107		50,519
(b) To Staff		525		825
(c) To Others		1,89,635		6,81,725
(ii) Prepaid expenses		—		2,125
2. Deposits		1,000		12,500
			2,47,267	7,47,694
			14,53,287	14,14,682

Schedules 1 & 2 form part of this Balance Sheet.

S. SUNDARESAN
Secretary

Madras
22nd June, 1989.

M.R.M. PUNJA
A.K.R. PRABHU
A.K. MODI
C.S. MENON
Directors

HEDULE 1

ED ASSETS

	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	To 30.6.88	Additions/ deductions during the period	Total upto 31.3.89	To 30.6.88	For the period	Adjust- ments/ Deletions during the period	To 31.3.89	As on 31.3.89	As on 30.6.88
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
nd	31,105	–	31,105	–	–	–	–	31,105	31,105
ınt and achinery	490	–	490	421	8	–	429	61	69
rniture and tings	2,352	–	2,352	1,747	45	–	1,792	560	605
fice equipments	2,819	–	2,819	2,552	30	–	2,582	237	267
	36,766	–	36,766	4,720	83	–	4,803	31,963	32,046

HEDULE 2(a)

JANTITATIVE AND OTHER INFORMATION

RTICULARS	Unit of Measure	Opening Stock	Purchases/ Conversion	Sales	Closing Stock
Yarn	Kgs.	Nil (13,900)	93,700 (2,03,480)	93,700 (2,17,380)	Nil (Nil)
Garments	Pcs	Nil (Nil)	Nil (2,070)	Nil (2,070)	Nil (Nil)

HEDULE 2(b)

)TES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 1989

. Contingent Liability – Unexpired Guarantees — Rs. 2,25,000 (Rs. 4,14,635)

2. Proceedings under the Land Acquisition Act in respect of land shown under Fixed Assets, has been initiated by the concerned authorities and the same is being contested.

3. Income tax assessments have been completed upto the year ended 30th June, 1985.

4. CIF value of Imports
   Cotton — Rs. 20,92,314 (Nil)

5. Expenditure in foreign currency
   Commission (Payable) — Nil (Rs. 33,061)

6. Earnings in foreign currency
   (a) F.O.B. Value of Exports (including receivables) — Rs. 17,60,294 (Rs. 93,71,642)
   (b) Freight (including receivable) — Rs. 96,550 (Rs. 1,10,438)

7. During the period there was no employee drawing or entitled to draw a remuneration aggregating to Rs. 6,000/- or more per month for the period or part of the period.

8. Other liabilities include a sum of Rs. 33,888/- payable to the holding Company.

9. Advances to others include a sum of Rs. 1,89,635/- being the amount paid to Textiles Exports Promotion Council on enforcement of bank guarantee issued to them for export commitment. The Company has filed a Writ Petition before the Hon'ble High Court of Madras contesting the claim made by the Textiles Exports Promotion Council.

). Remuneration received by a Director from the holding Company Rs. 1,17,191/-.

1. All figures have been rounded off to the nearest rupee.

12. Previous year's figures in respect of Profit and Loss Account is not comparable as the present Profit and Loss Account is for a period for 9 months as against 12 months for the previous year.

13. Figures in bracket represent previous year's figures and these figures have been regrouped wherever necessary.

BOARD OF DIRECTORS

V. NAGESWARAN
Chairman
V. GOPAL RAO
C.D. JOSE

AUDITORS

DANDEKER ASSOCIATES
Chartered Accountants
Madras

REGISTERED OFFICE

'Kothari Buildings'
114, Nungambakkam High Road,
Madras-600 034.

REPORT OF THE DIRECTORS TO TH SHAREHOLDERS

Your Directors have pleasure in presenting to you their rep for the period 1.7.1988 to 31.3.1989 (9 months). During th period, the Company had incurred an expenditure of Rs. 3,24 and the same has been transferred to the Balance Sheet.

DIRECTORS

Mr. C.D. Jose and Mr. V. Gopal Rao retire by rotation and a eligible for re-appointment.

DIVIDEND

No Dividend is being recommended on the Equity Capital.

DEPOSITS

The Company has not accepted any fixed deposit.

AUDITORS

M/s. Dandeker Associates, Chartered Accountants, Madr retire at the conclusion of the Annual General Meeting and bei eligible offer themselves for re-appointment. The necessa letter of confirmation pursuant to Section 224 (1B) of th Companies Act, 1956 has been obtained from the Auditor

PARTICULARS OF EMPLOYEES

No employee was paid salary of Rs. 6,000/- or more per mon for the year or part of the year under review.

On behalf of the Board of Directo

Madras
22nd June, 1989.

V. NAGESWARA
Chairma

:PORT OF THE AUDITORS

have audited the attached Balance Sheet of SECURITIES ERATIONS AND INVESTMENT COMPANY LIMITED as at st March 1989 and the Profit and Loss Account for the period line months ended on that date annexed thereto and report t:

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government 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 & 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph 1 above, we state 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 appears from our examination of such books.

(c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.

(d) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

(i) in so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March 1989 and

(ii) in so far as it relates to the Profit and Loss Account of the Loss of the Company for the period of 9 months ended on that date.

For DANDEKER ASSOCIATES
Chartered Accountants

K.J. DANDEKER
Partner

adras
nd June, 1989.

ANNEXURE

Re: SECURITIES OPERATIONS AND INVESTMENT COMPANY LIMITED

Referred to in paragraph 1 of our report of even date.

1. Excepting for land acquired by the Company, the Company has not purchased any other asset.
2. The fixed assets of the Company have not been revalued during the year.
3. As the Company has not purchased/sold goods during the year, the requirement of reporting on physical verification of stocks, internal control procedures, provision for damaged goods and interest of directors for transactions, in our opinion, does not arise.
4. The Company has obtained interest-free advances from the holding Company.
5. No loans have been given by the Company to anyone.
6. The Company has not accepted deposits of any kind.
7. Report on internal audit system does not arise as the paid-up share capital is less than Rs. 25 lacs.
8. As there is no employee, the question of deposit of Provident Fund and Employees State Insurance does not arise.
9. Considering that no business was carried out, in our opinion, all other clauses of the said paragraph and provisions of para 4(A), (C), (D) do not apply to this Company.

For DANDEKER ASSOCIATES
Chartered Accountants

Madras
22nd June, 1989

K.J. DANDEKER
Partner

BALANCE SHEET AS AT 31ST MARCH, 1989

			As at 31-3-89 Rs.		As 30-6-8 R
SOURCES OF FUNDS					
SHARE CAPITAL					
Authorised					
3,00,000 Equity Shares of Rs. 10/- each			30,00,000		30,00,0
2,00,000 13.5% Cumulative Preference Shares of Rs. 10/- each			20,00,000		20,00,0
			50,00,000		50,00,0
Issued, Subscribed and Paid-up					
8 Equity Shares of Rs. 10/- each fully paid-up		80		80	
18 13.5% Cumulative Preference Shares of Rs. 10/- each (both held by Kothari Industrial Corporation Limited, the Holding Company in its own name and in the name of nominees)		180	260	180	26
			260		26
APPLICATION OF FUNDS					
Fixed Assets					
Gross and Net Block			31,105		31,10
Land (At Cost)					
Current Assets, Loans and Advances					
Current Assets					
Cash on hand		260		260	
Less : Current Liabilities and Provisions					
– Due to the Holding Company	67,759			59,769	
Other Liabilities for expenses	977			5,727	
		68,736		65,496	
Net Current Assets			(68,476)		(65,23
Miscellaneous expenditure (to the extent not written off or adjusted)					
Preliminary expenses		14,101		14,101	
Profit and Loss Account		23,530	37,631	20,290	34,3
			260		2

Notes form part of this Balance Shee

This is the Balance Sheet referred to in our report of even date

For DANDEKER ASSOCIATES
Chartered Accountants

K.J. DANDEKER
Partner

22nd June, 1989

V. NAGESWARAN
Chairman

C.D. JOSE
V. GOPAL RAO
Directors

ROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 31.3.1989

	1988-89 Rs.	1987-88 Rs.
COME	–	–
PENDITURE		
ng fees	240	120
ectors' Sitting fees	2,250	3,000
dit fees	750	750
nting and Stationery	–	116
	3,240	3,986
ss	3,240	3,986
ss brought forward from last year	20,290	16,304
rried to Balance Sheet	23,530	20,290

is is the Profit and Loss Account referred
in our report of even date

Notes form part of this Profit and Loss Account

DANDEKER ASSOCIATES
artered Accountants

V. NAGESWARAN
Chairman

J. DANDEKER
rtner
adras
nd June, 1989.

C.D. JOSE
V. GOPAL RAO
Directors

NOTES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 1989

Arrears of dividend on cumulative preference shares amounting to Rs. 145, including Rs. 121 for the previous years 1983/84 to 1987/88, have not been provided for in the accounts.

Proceedings under the Land Acquisition Act in respect of Land shown under fixed assets, has been initiated by the concerned authorities and the same is being contested.

Furnishing of additional information to the Profit and Loss Account required under Clauses 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 does not arise.

No person was appointed as an employee of the Company during the period.

All figures have been rounded off to the nearest rupee.

CENTENARY CELEBRATION YEAR OF OUR BELOVED FOUNDER

Shri C.M. KOTHARI
1889-1989

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KOTHARI INDUSTRIAL CORPORATION LIMITED

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE ANNUAL GENERAL MEETING HA

Folio No. ....

Name ....

....

....

I hereby record my presence at the Twentieth Annual General Meeting of Kothari Industrial Corporation Limited on **25.10.1989 at 10.30 a.m. at Music Academy, 155-E, Mowbrays Road, Madras-600 018.**

Signature of the Shareholder/Proxy holder

REQUEST TO MEMBERS

1. Shareholders and their Proxies/Bodies corporate should bring the attendance slip duly filled in for attending the Meeting.
2. Members are requested to avoid being accompanied by non-members and/or children.
3. Members are requested to bring their copies of Annual Report to the meeting as the Company is unable to provide another copy in view of the increased cost of paper.
4. 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.
5. Members are requested to intimate the Company changes, if any, in their registered address.
6. 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 for holding the Meeting.

PROXY FORM

I/We ....

.... in the district of ....

being a member/members of the above-named Company hereby appoint ....

.... in the district of ....

or failing him .... of ....

in the district of .... as my/our Proxy to vote for me/u

on my/our behalf at the Twentieth Annual General Meeting of the Company to be held on Wednesday 25.10.1989 at 10.30 A.M at Music Academy, 155E, Mowbrays Road, Madras 600 018 and at any adjournment thereof.

Signed this .... day of 198

Folio No.:

Signed by the sa

Name

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Note : Companies Act, 1956 lays down that an instrument appointing a proxy shall be deposited at the Registered Office of th Company not less than forty-eight hours before the time for the Meeting.

Note : Due to revision in postal rates regarding Book Posts, we have to paste the addresses on the envelopes, hence, we reque your co-operation in filling up the correct folio number and name in the Proxy Form whilst returning the same to the Compan