

MD

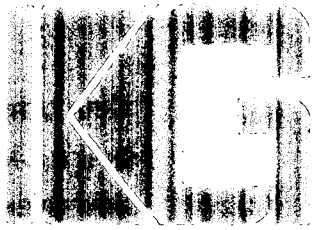
✓

BKC

NA

✓

✓



ANNUAL REPORT 1997-98


Our Sacks have
packed
some big names of
the Cement industry



KG Petrochem Limited

REGD. OFFICE & WORKS : C-171, ROAD NO. 9J
V. K. I. AREA, JAIPUR - 302 013 (INDIA)



Board of Directors	:	SHRI YATINDRA SINGH (Retd. IAS) SHRI R.J. MAJITHIA (Retd. IAS) SHRI VIVEK SINGHAL - Managing Director SHRI MANISH SINGHAL SHRI A. S. PATANI SHRI HARSHVARDHAN - Nominee RIIICO LTD.
Bankers		BANK OF BARODA V.K.I. Area, Jaipur
Auditors	:	A.R. VIJAY & CO Chartered Accountants Jaipur
Registered Office & Works	:	C-171, ROAD NO. 9J, V.K.I. AREA, JAIPUR - 302 013 (INDIA)
Registrar & Share Transfer Agent	:	OCTAL DATAMATICS (P) LTD.
Registered office		 C-444, Bagree Market 71, B.R.B.B. Road Calcutta - 700 001
Investor Service Centre	:	421, Ganpati Plaza, M. I. Road, Jaipur - 302 001
Listing	:	JAIPUR STOCK EXCHANGE, JAIPUR The Stock Exchange, MUMBAI The Stock Exchange, AHMEDABAD The Delhi Stock Exchange, DELHI



NOTICE

Notice is hereby given that the 18th Annual General Meeting of the members of KG Petrochem Limited will be held on Saturday the 5th day of September, 1998 at 11.00 a.m. at the registered office of the company at C-171, Road No. 9 J, V.K.I. Area, Jaipur to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1998 and Profit and Loss account for the year ended on that date, together with the report of Directors and Auditors thereon.
2. To appoint a director in place of Shri Manish Singhal, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint auditors of the company to hold office for the period from conclusion of this annual general meeting until conclusion of next annual general meeting and to fix their remuneration.

SPECIAL BUSINESS :

4. To Consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution :

RESOLVED that in accordance with provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Shri R.J. Majithia an additional Director of the Company who holds office upto the date of this AGM as per provisions of section 260 of the companies Act, 1956 and in respect of whom the company has received a notice in writing from a member proposing his candidature for the office of director be and is hereby appointed as a director of the company who is liable to retire by rotation.

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution

RESOLVED that in supercession of the resolution passed by the shareholders at the 17th Annual General Meeting held on 27th day of Sept., '97 and Subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof and any Ordinance promulgated in this regard for the time being in force and as may be enacted/promulgated from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the company be and is hereby accorded to the Board to buy back from the existing holders of shares and/or from the open market and/or from the lots smaller than market lots of the Securities (odd lots) and/or by Purchasing the Securities issued to the employees pursuant to a scheme of stock option, the shares or such other securities or securities having such underlying voting rights as may hereafter be notified by the central Government or any other regulatory authority, from time to time (herein for brevity's sake referred to as "the securities"), of the company, from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, or from such other sources as may be permitted by law, on such terms, & conditions and in such manner as may be prescribed by law from time to time; upto an amount not exceeding Rs.2.00 Crores.



"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regards as it may, in its absolute discretion, deem necessary, fit or proper."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as special resolution :

"RESOLVED THAT pursuant to Section 370 and other applicable provisions, if any , of the Companies Act, 1956 the Board of Directors of the Company be and is hereby authorised to give any guarantee or provide any security in connection with a loan or loans made by any other person to, or to any other person by, any body corporate, provided that the aggregate value of such guarantee(s) given or security(s) provided and outstanding shall not exceed Rs. 25.00 Crore at any time."

"RESOLVED FURTHER THAT the board of directors of the company be and is hereby authorised to determine the amount and conditions of such guarantee or security and to decide all or any other matters arising out of or incidental thereto and to do all such acts, deeds matters and things as may be necessary and/or expedient in that behalf."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution.

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorised pursuant to Section 370 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification or re-enactment thereof, to make from time to time any loan/ deposits or give any guarantee, or provide any security, in connection with a loan made by other person to or to any other person by, any body corporate, whether under the same management or not, in such sum or sums and upon such terms and conditions as the Board may think fit, upto the limits by way of percentage of the aggregate of subscribed capital and free reserve of the Company and/or in any other manner of computation as prescribed under the said Section without the approval of the Central Government, and in excess of the limits so prescribed under the said section with the approval of the Central Government, provided that the aggregate of the loans so made to all bodies corporate shall not at any time exceed 50% of the aggregate of the subscribed capital of the Company and its free reserve.

8. To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to provisions of Sub-Section (4) of Section 372 and other applicable provisions, if any, of the Companies Act. 1956 and subject to prior approval of the Central Government and such approvals and sanctions as may be necessary, from time to time, the Company hereby authorised board of Directors of the Company to invest the funds of the company in excess of the aggregate of 30% of the subscribed Equity Capital or the aggregate of the paid-up equity and preference share capital whichever is less of the later company in whose shares the investing company is investing notwithstanding the fact that the aggregate of all investments made by this company in all other bodies corporate put together may exceed thirty percent or that the aggregate of all investments made in all other bodies corporate which are in the same group as the investing company , in excess of thirty percent, as the case may be, of the subscribed capital and free reserves of this Company.



"RESOLVED FURTHER THAT the Board of Directors of the company or such committee thereof as the Board may constitute in this behalf be and is hereby authorised to settle all or any questions and matter arising out of, and incidental to, the proposed investment."

By order of the Board of Directors

Place : JAIPUR
Date : 16.07.98

Vivek Singhal
Managing Director

A.S. Patani
Director

NOTES :

1. The relative explanatory statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of business set out and annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The register of members and the Share Transfer Books of the company will remain close from 1st September, 1998 to 4th September, 1998 both days inclusive.
4. Members are requested to notify change of address, if any, to the company.
5. Members are requested to affix their signatures at the space provided on the attendance slip annexed to the proxy form and hand over the slip at the entrance of the place of meeting.
6. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of Annual Report to the meeting.

By order of the Board of Directors

Place : JAIPUR
Date : 16.07.98

Vivek Singhal
Managing Director

A.S. Patani
Director

**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**

As required by section 173(2) of the Companies Act, 1956 the following explanatory statement set out material facts relating to the Special Business under item number 4 to 8 of the accompanying Notice dated 16.07.98

ITEM No. 4

Shri R.J. Majithia was appointed as an additional director of the company with effect from 20/11/97. Pursuant to section 260 of the Companies Act, 1956. Shri R.J. Majithia will hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Shri R.J. Majithia for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors of the Company other than Shri R.J. Majithia is interested in this resolution.

ITEM No. 5

Buy back of own shares or other securities convertible into equity shares by the Companies is presently not allowed under the Companies Act, 1956. The Company Bill, 1997, sought to lay down the operative provisions to regulate the buy back of shares/ securities by companies. The said bill has not yet become the law. It is expected that, in due course of time, the law will be amended to allow such buy back.

It is proposed to buy back shares not exceeding Rs. 2.00 Crores or other securities giving right to subscribe for shares of the Company, from the existing security holders on a proportionate basis and/ or from the open market and/ or from the lots smaller than market lots of the securities (odd lots) and/ or by purchasing the securities issued to the employees of the company pursuant to the scheme of stock option, subject to necessary enactment in this regard.

The buy back of shares as aforesaid would entail investing of an amount which would not be less than the market value of the shares or other securities giving right to subscribe for shares of the company and shall be met out of the free reserves and/ or the securities premium account and/ or out of the proceeds of an issue specifically made for the purpose or from such other sources as may be permitted by law. The shares so bought back shall be dealt with as per the then prevailing law/ regulation.

The Board is of the opinion that it will be in the best interest of the Company if Shareholders approve the said resolution, permitting such buy back, so that the company will be able to implement this resolution once the law is amended.

The resolution, if approved, will be operative and given effect to from the applicable date as may be prescribed in this regard.

The resolution is an enabling provision aimed at facilitating the Company to buy back its shares as soon as legally permissible.



The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

ITEM No. 6

Under Section 370 of the Companies Act, 1956 no company shall give any guarantee or provide any security, in connection with a loan made by any other person to, or to any other person by, any body corporate unless the giving of such guarantee or the provision of such security has been previously authorised by a special resolution of the Company.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the company are interested in the proposed resolution except the loans/ deposits or any guarantee or provide any security to the Chrome International Co. Limited which is a Company under the same management.

ITEM No. 7

Section 370 of the Companies Act, 1956 provide that a company shall not make any loans/ deposits or give any guarantee, or provide any security, in connection with a loan made by other person to or to any other person by, any body corporate, in excess of 30% of its subscribed capital and free reserves unless the same has been authorised by a special resolution of the members of the lending company. The section also provides that approval of the Central Government has to be obtained in such cases where the loan/deposit is in excess of 30% of its subscribed share capital & free reserves.

In the course of business of the Company, there may be surplus funds at the disposal of the company, which may not be required immediately for the business of the Company, Those funds need to be deployed to the best advantage of the Company. Accordingly, it is proposed to place such surplus funds in the best interest of the Company.

None of the Directors of the company are interested in the proposed resolution except the loans/deposits or any guarantee or provide any security to the Chrome International Co. Limited which is a Company under the same management and recommends your acceptance thereof in the interest of the company.

ITEM No. 8

In order that the Directors may make suitable investments in shares as and when necessary more than 30 percent of the subscribe capital or aggregate of the paidup equity and preference share capital, whichever is less, of the other company. The Directors seek your accord to the proposed resolution to enable the Directors to invest the funds of the company in any body or bodies corporate in excess of the aforesaid limit of 30% subject to obtaining the approval of the Central Government.

The proposed resolution is for fulfilling the condition laid down in section 372(4) of the companies act, 1956.

None of the Directors of the company are interested in the proposed resolution except the investment in shares to be made in Chrome International Co. Limited which is a Company under the same management and recommends your acceptance thereof in the interest of the Company.



DIRECTORS' REPORT

Dear Shareholder,

Your directors have pleasure in presenting the 18th Annual Report of your Company together with audited accounts for the year ended on 31st March, 1998.

FINANCIAL RESULTS :

	1997-98	1996-97
Sales/Income From Operations	1566.11	1367.84
Other Income	10.24	2.98
Total Expenditure (Includes variation in Stock)	1358.16	1228.48
Profit before Interest, Depreciation & Tax	218.19	142.34
Financial Expenses	40.32	53.01
Profit before Depreciation & Tax	177.87	89.33
Depreciation	68.33	67.55
Provision for Taxation	12.41	2.81
Profit after Tax	97.13	18.97
Add : Profit & Loss brought forward	83.26	64.29
Balance Carried to Balance Sheet	180.39	83.26

OPERATIONS :

During the year under review the company has shown an impressive growth in the overall performance. Your directors are delighted to report that your company in the year 1997-98 has recorded turnover of Rs.1566.11 Lacs as compared to turnover of Rs. 1367.84 Lacs during the previous year resulting in an increase of 14% over the last year's turnover inspite of the fact that unit sales price were lower in comparison to last year due to depressed raw material prices which is reflected by sales in quantitative terms, during 1997-98 was 2337 MT in comparison to 1756 MT during previous year i.e.33% increase in sales inspite of depressed conditions in cement sector who are main buyers of the company's product.

Profit before interest, depreciation and tax during the year is Rs.218.19 lacs as compared to Rs. 142.34 Lacs in last year i.e. increase of 53%. Operating profit under review is Rs. 177.87 lacs in comparison to previous years Rs.89.33 lacs, an increase of 99%. After providing for depreciation of Rs.68.33 Lacs and Income tax under Mat for Rs.12.41 Lacs the net profit is Rs.97.13 lacs in comparison to Rs.18.97 Lacs during last year, resulting an increase of 412% over the previous year. Due to good results and better cash flow, company made prepayment of Rs.50.00 Lacs to RIICO and Rs.24.23 lacs to RFC, over and above payment of regular installments and interest against term loan advanced by these institutions which has resulted that by end of March, term loan has reduced from Rs.207.85 Lacs to Rs.98.85 Lacs.



MANUFACTURING:

Company could achieve processing of 2514MT polymers during 1997-98 in comparison to 1798MT during previous year resulting an increase of 40% inspite of labour trouble during 1st quarter of financial year particularly in May, 1997 which resulted in slowing down of production and complete closure of the unit from 21st March, '98 to 15th April, '98 and recession in cement sector which is the major thrust area of the Company.

PROMISES v/s PERFORMANCE :

As required by clause 43 of the listing agreement, the comparison of actual performance for the year 97-98 with the financial projections made in the prospectus dated 26.12.95 is furnished below :

(Rs. in Lacs)

	Projections	Actuals
Installed capacity (M.T.)	3400	3400
Capacity Utilisation (%)	85%	74%
Production (M.T.)	2890	2514.25
Sales	2217.21	1566.11
Gross Profit	380.34	218.19
Interest	70.36	40.32
Depreciation	69.09	68.33
Prel. Exp./Public Issue Exp.	4.90	-
Tax	56.83	12.41
PAT	179.16	97.13
Equity Capital	632.38	633.52
Reserve & Surplus	261.76	216.86
Dividend (%)	15.00	--
Dividend (Rs.)	94.86	--
EPS (Rs.)	2.83	1.67
Cash EPS (Rs.)	3.93	3.06
Book Value (Rs.)	14.14	13.65

CURRENT OUTLOOK : Company hopes to achieve better results during 98-99 as the company has entered into agreement with labour union which would ensure better production and cement sector will also hopefully pick-up. Moreover, due to shortage of jute in the country, Jute packaging order is likely to be diluted making way for synthetic bags.