

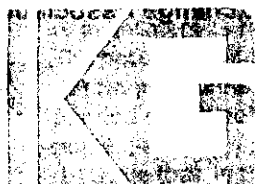
ANNUAL REPORT 1998-99

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KG Petrochem Limited

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



Board of Directors	Shri G. S. Kandel - Chairman Shri Yatindra Singh (Retd. IAS) Shri R. J. Majithia (Retd. IAS) Shri Vivek Singh - Managing Director Shri Manish Singh - Director Shri A. S. Patani Shri J. S. Harkawat - Nominee RIICO
Company Secretary	Shri U. S. Sharda
Bankers	IDBI Bank Ltd. M.I. Road, Jaipur
Auditors	A. R. Vijay & Co. Chartered Accountants Jaipur
Registered Office & Works	C-171, Road No. 9J, VKI Area, Jaipur 302 013.
Corporate Office	F- 394G, Road No. 9F2, VKI Area, Jaipur 302 013
Registrar & Shares 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 LIMITED The Stock Exchange MUMBAI The Stock Exchange AHMEDABAD The Delhi Stock Exchange Association Ltd.



NOTICE

Notice is hereby given that the 19th Annual General meeting of the Members of KG PETROCHEM LIMITED, will be held on Thursday the 15th day of July 1999 at 11.00 AM at the registered office of the Company at C-171, Road No. 9J, 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, 1999 and Profit & 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 Yatindra Singh, who retires by rotation and being eligible, offers himself for re - appointment.
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 the provisions of section 257 and all other applicable provisions, if any of the Companies Act 1956, Shri G.S. Kandoi, 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 consent of the Members be and is hereby accorded in pursuance to Delisting Guidelines issued by SEBI for delisting of Company's Equity share from The Stock Exchange, Ahmedabad and The Delhi Stock Exchange Association Ltd. New Delhi.
 FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised in this behalf to take all such steps for delisting of Company's equity shares from Delhi and Ahmedabad Stock Exchanges inter alia including submission of application, providing exit offer to the shareholders or any other act as may be deemed necessary and expedient in this regard and in the interest of the Company."
6. To consider and if thought fit, to pass with or without modification, the following resolution as special resolution :
 "RESOLVED THAT pursuant to section 31 of the Companies Act, 1956 and other applicable provisions, if any consent of the Members be and is hereby accorded to alter the Articles of Association of the Company in the following manner :
 "A new article 28 (A) to (G) be inserted after Article 28, which reads as under."
 28(A) If a member fails to pay any call, or installment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as remain unpaid, together with any interest which may have accrued.
 28(B) The notice aforesaid shall :-
 (a) Name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made ; and
 (b) State that, in the event of non payment on or before the day so named, the shares in respect of which the call was made will be liable to be forfeited.



- 28(C) If the requirements of any such notice as aforesaid are not complied with, any share in respect of which notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.
- 28(D) (i) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit
(ii) At any time before sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.
- 28(E) (i) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the company in respect of the shares.
(ii) The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.
- 28(F) (i) A duly verified declaration in writing that the declarant is a Director Manager, or the Secretary of the Company and that a share in the Company has been duly forfeited on a date in the declaration, shall be conclusive evidence of the facts, there-in stated as against all persons claiming to be entitled to the share.
(ii) The Company may receive the consideration, if any, given for the shares on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.
(iii) The transferee shall there upon be registered as the holder of the share.
(iv) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceeding in reference to the forfeiture, sale or disposal of the share.
- 28(G) The provisions of these regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium as if the same had been payable by virtue of a call duly made and notified."
7. To consider and if thought fit, to pass with or without modification the following resolution as special resolution :
"RESOLVED THAT in supercession of the resolution passed in the 18th AGM held on 5 th Sept. 1998 and pursuant to sec. 77A & 77B of the Companies Act, 1956 and any other applicable provision, if, any (including any statutory modification (S) or reenactment 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 SEBI (Buy-back of Securities) Regulation, 1998 and subject to 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 Members be and is hereby accorded to the Board to buy back from the existing holders of shares on proportion ate basis/or from open market/or from odd lot holder / smaller lot than the marketable lot / or by purchasing the securities issued to the employees pursuant to a scheme of stock option, the equity shares 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 this purpose, or from such other sources as may be permitted by law on such terms & conditions and in such manner as may be permitted by law from time to time, upto twenty five percent of paid up capital and free reserves of the Company."



To consider and if thought fit to pass, with or without modification, the following as special resolution :

* RESOLVED THAT pursuant to section 372A of the Companies Act, 1956 and other applicable provisions if any (including any statutory modifications (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). consent of the members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred "The Board") to make investment in / provide loan to/ give guarantee in favour of CHROME INTERNATIONAL CO. LTD.(hereinafter referred to as investee Company) for a sum not exceeding Rs. 10.00 crores (Rupees Ten Crores) together with investments in/ loan to/ guarantees already provided, at any time to the investee Company.

FURTHER RESOLVED THAT the Board is authorised to make further investment / provide loan / or to give guarantee in favour of any other body corporate" other than investee company for a sum not exceeding Rs. 1.00 crore (Rupees One Crore) together with the investment / Loan / guarantee already made / provided at any time.

For & on Behalf of the Board

Place : Jaipur

Date : 24th May, 1999

sd /-

(U.S. SHARDA)

Company Secretary

Votes :

1. The relative explanatory statement pursuant to Sec. 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 10th July, 1999 to 15th July, 1999. both days inclusive.
4. Members are requested to notify change of address, if any to the Company.
5. Members are requested to put 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.
3. 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.



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 statements set out material facts relating to the special Business under item No. 4 to 8 of the accompanying notice dated 24.05.99.

ITEM NO. 4

Shri G.S. Kandoi was appointed as an additional director w.e.f. 5.9.98. Pursuant to section 260 of the Companies Act, 1956, Shri G.S. Kandoi will hold office of director upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a Member alongwith requisite fee, proposing the candidature of Shri, G.S. Kandoi for the office of Director under the provisions of Sec. 257 of the Companies Act, 1956.

None of the Directors except Shri. G.S. Kandoi, Shri. Vivek Singhal and Shri. Manish Singhal being the relative of Sh. G.S. Kandoi, are interested in this resolution.

ITEM NO. 5

SEBI has permitted voluntary delisting from stock exchange other than the regional stock exchange. Presently the shares of the Company are not being quoted at Delhi and Ahamdabad Stock Exchanges since long. Therefore, it does not seem beneficial to keep continuance of listing at both these stock exchanges.

The shares of the Company remain listed at Jaipur Stock Exchange and the Stock Exchange, Mumbai to provide liquidity to the members. However an exit offer may be given to the member's residing in the regions of Delhi and Ahamdabad Stock Exchanges. It is in above circumstances that the resolution mentioned in this item of the notice is proposed to be passed and commended for your acceptance. None of the Director is interested in this resolution.

ITEM NO. 6

Presently a sum of about Rs. 52.00 Lacs is lying in calls in arrears and the defaulting members are not paying the same. The present Articles of the Company provide lien on calls in arrears but silent about forfeiture provisions. To enable the Company to take action against defaulting members by way of forfeiture, it becomes necessary to amend the Articles of Association.

It is in the above circumstances that the resolution is commended for your acceptance. None of the Directors of the Company is interested in the resolution.

ITEM NO. 7

Buy back of own shares or other securities convertible into equity shares by the Companies has been allowed through Companies (Amendment) Ordinance 1999, and the Companies (Amendment) Bill 1999 has been passed in the parliament and became the law. As permitted by the Act, buy back of shares to the extent of 25% of total paid up Share Capital and free reserves, has been permitted subject to 25% of total paid up share capital during one financial year.

To restructure the share Capital of the Company, the Board is of the opinion that it will be in the interest of the Company to buy back the shares as permitted by law. The Board, therefore recommend the resolution for approval of the shareholders. None of the Director of the Company is, in any way, concerned or interested in this resolution.

**ITEM NO. 8**

The Companies (Amendment) Act 1999, provided that the provisions of Sec. 370 and 372 will no more be applicable and a new Sec. 372A has been introduced. According to this section any Company wish to invest in securities or to make loans or to provide guarantee in favour of any other body corporate in excess of a specified limit, consent of the members by way of special resolution is necessary.

The Company being one of the promoter of Chrome International Company Ltd. (CICL) and has made investment and provided loan and guarantees and would also require further investment/ or to provide loan or to provide guarantee on behalf of CICL, which would be in excess of the limits specified in the Act. Therefore, the matter is recommended to permit the Board to make investment or to provide guarantee on behalf of or to make loan to CICL together with in amount already invested/ Loan made / Guarantee provided, subject to maximum of Rs. 10.00 crore (Rupees Ten Crore) at any time to CICL.

The total amount together with amount already invested/loans made/ and guarantees provided would not exceed Rs. 1.00 crore (Rs. One Crore only) in any other company other than CICL at any time on terms & conditions as permitted by law.

The matter is therefore recommended for member's approval.

None of the Director except Shri G. S. Kandoi, Shri Vivek Singhal and Shri Manish Singhal, who are also the Directors of CICL, is interested or concerned in this resolution.

For & on behalf of the Board

Place : Jaipur

Date : 24th May.1999.

SCA

(U.S.SHARDA)

Company Secretary

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DIRECTORS REPORT

Dear Shareholder,

Your Directors have pleasure in presenting the 19th Annual Report together with audited Accounts of the company for the year ended on 31st March, 1999.

FINANCIAL RESULTS :

	(Rs. in lacs)	
	1998-99	1997-98
Sales/Income from operation	1725.15	1566.11
Other Income	1.55	10.24
Total Expenditure (Including variation in Stock)	1566.06	1358.16
Profit before Interest, Depreciation & Tax	160.64	218.19
Financial Expenses	33.61	40.32
Profit before Depreciation & Tax	127.03	177.87
Depreciation	73.19	68.33
Provision for Taxation	5.88	12.41
Profit after Tax	48.16	97.13
Add: Profit & Loss brought forward	180.39	83.26
Balance Carried to Balance Sheet	228.55	180.39

OPERATIONS :

Despite a marked slowdown in the country's economy during the year under review particularly in cement sector, being the main buyers of the Company's products, your Company recorded satisfactory growth in turnover. During the year under review the turnover of the Company was Rs. 1725.15 lacs as compared to Rs. 1566.11 lac in previous year and recorded 10.00% growth in spite of lower unit sales price in comparison to last years which is reflected by sales in quantitative terms which are 2929 MT during 1998-99 in comparison to 2514 MT during 1997-98 an increase of 16.5%. However operative profits have declined drastically during the year under review being Rs. 160.64 lac in 98-99 in comparison to 218.19 lac during 97-98 as all Cement Company's, who are main customer of Company's product reduced the Unit Sales Price of Bags in spite of significant increase in wage rates and other manufacturing expenses.

The Profit before Tax and depreciation is Rs. 127.03 Lacs during 98-99 in comparison to Rs. 177.87 Lacs during 97-98 and net profit after interest, depreciation and tax is Rs. 48.16 lac in comparison to Rs. 97.13 lac during 97-98.

MANUFACTURING :

Company could achieve processing of 2929 MT polymers during 1998-99 in comparison to 2514 MT during previous year resulting an increase of 16.5% in spite of labour trouble upto 15.04.98 and recession in cement sector which is the major thrust area of the Company.



PROMISES VS PERFORMANCE :

As required by clause 43 of the listing agreement, the comparison of actual performance for the year 98-99 with the financial projections made in the prospectus dated 26.12.95 is furnished below :

	(Rs. in lacs)	
	<u>Projections</u>	<u>Actuals</u>
Installed capacity (M.T.)	3400.00	3400.00
Capacity Utilisation (%)	90.00	86.15
Production (M.T.)	3060.00	2929.00
Sales	2347.63	1725.15
Gross Profit	395.61	160.65
Interest	64.74	33.61
Depreciation	69.09	73.19
Prel. Exp./Public Issue Exp.	4.90	-
TAX	73.78	5.68
PAT	183.09	48.16
Equity Capital	632.38	581.53
Reserve & Surplus	349.99	265.02
Dividend (%)	15.00	-
Dividend (Rs.)	94.86	-
EPS (Rs.)	2.90	00.83
Cash EPS (Rs.)	3.99	2.09
Book Value (Rs.)	15.53	14.55

Due to down ward trend in sales prices, in spite of achieving production level at 86.15%, the sales remained short to the projections and affected the profitability.

CURRENT OUTLOOK :

Company hopes to achieve better results during 1999-2000 as the Cement Sector will also hopefully pickup. Moreover the government has also permitted 100% packing in Synthetic bags in Cement Sector.

EXPORT :

Company is not exporting its product directly but export is made to European Countries through M/s. Reliance Industries Ltd., and act as supporting manufacturer as and when spare capacity remains available. During the year under review Company processed 22.58 MT polymers for export on behalf of RIL.

Y2K PROBLEM & COMPLIANCE :

The Company does not have any risk on account of Y2K issue and the Computers utilised for office services have been upgraded to be Y2K compliant. The cost involved was negligible to the scale of operation of the Company.

DIVIDEND :

Your directors are unable to recommend any dividend during the year under review, with a view to conserve funds for the purpose of buy back of share and further investment in CHROME INTERNATIONAL CO. LTD. as promoter and for diversification.

CHROME INTERNATIONAL CO. LTD. (CICL) :

CICL, a Company in which our Company is one of the promoter, has started its commercial production in Dec. 98 and hopefully do better in the next year.

**DIVERSIFICATION :**

The Company has started commercial activities in its Agency division, where the Company is consignment stockist of Gas Authority of India Ltd. (GAIL) for Jaipur territory and hope to achieve good sales and commission income in 1999-2000 as GAIL's products has been introduced in Jaipur territory from May 99 and hope to pick up during 1999-2000.

DIRECTORS :

Shri Yatindra Singh, Director of the Company retires by rotation at the conclusion of the AGM and being eligible, offers himself for reappointment. Shri G.S. Kandoi, who has joined the Board w.e.f. 5.09.98 as an additional Director & Chairman of the Company, whose appointment is to be confirmed in the forthcoming AGM. Shri J.S. Harkawat has been appointed as Nominee Director in place of Shri Harsh Vardhan by RIICO Ltd. The Board placed its appreciation for the valuable guidance provided by Shri. Harsh Vardhan during his tenure as Director on the Board.

AUDITORS :

M/s. A.R. Vijay & Company, Chartered Accountants, Auditors of the Company retires at the ensuing Annual General Meeting & being eligible, offer themselves for re-appointment.

AUDITORS REPORT :

The observation of the Auditors in their report are self explanatory and does not require any further clarification.

PARTICULARS OF EMPLOYEES :

There were no employees whose remuneration were in excess of the limits prescribed under sec. 217 (2A) of the Companies Act 1956 read with the Company's (Particulars of employees) Rule 1975.

PUBLIC DEPOSITS :

The Company has not accepted any public deposits in terms of Sec. 58A of the Companies Act 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS**AND OUTGO :**

Information in accordance with Sec. 217(1) (e) of the Companies Act, 1956 read with the Companies (disclosure of particulars in the report of Board of Directors) Rule 1988 is given in Annexure 'A' forming part of this report. Form 'A' requiring disclosure of conservation of energy is not applicable in case of your Company.

ACKNOWLEDGEMENT :

The Directors wish to thank and acknowledge with gratitude for the active co-operation, assistance and support rendered by RIICO Ltd., Rajasthan Financial Corp., and Company's Bankers, IDBI Bank Ltd. and State bank of Bikaner & Jaipur, Customers, share holders and various Central and State Government Agencies.

The Directors also appreciate and place on record devoted and efficient services rendered by the employees at all levels resulting in excellent working results.

On behalf of the Board of Directors

Place : JAIPUR

Date : 24th May, 1999.

sd/-

(G.S. KANDOI)

CHAIRMAN