



KG Petrochem Limited

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

ANNUAL REPORT

1999 - 2000

Our Sacks have
packed
some big names of
the Cement industry!



Weaving Quality

Board of Directors

SHRI G.S.KANDOI, CHAIRMAN
SHRI YATINDRA SINGH (Retd. IAS)
SHRI R.J. MAJITHIA (Retd. IAS)
SHRI VIVEK SINGHAL, Managing Director
SHRI MANISH SINGHAL
SHRI A.S. PATANI
SHRI J.S.HARKAWAT (Nominee RIICO)

Bankers

IDBI BANK LTD.
Saraf House, 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.

**Registrar & Shares
Transfer Agent
Registered Office**

OCTAL DATAMATICS (P) LTD.
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
THE STOCK EXCHANGE MUMBAI
THE STOCK EXCHANGE AHMEDABAD
THE DELHI STOCK EXCHANGE



NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the members of **KG PETROCHEM LIMITED** will be held on Monday the 28th day of August' 2000 at 11.00 a.m. at the registered office of the company at C-171, Road No. 9J, VKI Area, Jaipur to transact with or without modification(s) as may be permissible, the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance sheet as at 31st March, 2000 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 A.S.Patani, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a director in place of Shri Manish Singhal, who retires by rotation and being eligible, offers himself for reappointment.
4. 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:

5. 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 269 read with Schedule XIII, section 309 and other applicable provisions, if any, of the Companies Act 1956 (including any statutory re-enactment thereof) for the time being in force, approval of the Company be and is hereby accorded to appoint Shri Manish Singhal as Managing Director of the Company for a period of five years w.e.f. 1st of June' 2000 to 31st May' 2005.

FURTHER RESOLVED THAT the Board is hereby authorised to enter into an agreement in future to finalise the terms and conditions of appointment of Shri Singhal as Managing Director as and when it deems in the interest of the Company subject to maximum remuneration of Rs. 50000/- per month inclusive of perquisites with further power to Board to change the terms and conditions of appointment as and when it deems fit in the best interest of the Company.

FURTHER RESOLVED THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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

"RESOLVED THAT pursuant to section 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company accords its consent to Shri Vivek Singhal, a Director of the Company, as Chief Executive Officer (CEO) of Company' Agency Division for a period of 5 years with effect from 01st June 2000 to 31st May 2005 upon such remuneration as set out in his letter of appointment dated 1st June 2000

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorised to do all such acts, deeds, matters and things as it considers necessary, desirable or expedient for the purpose of giving effect to this resolution."

Place : Jaipur
Date : 24th July 2000

By order of the Board of Directors

sd/-
(G.S.Kandoi)
Chairman

**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 Shares Transfer Books of the company will remain close from 24th July 2000 to 28th July 2000 both days inclusive.
4. Members are requested to notify change of address, if any, to Octal Datamatics Pvt. Ltd. quoting their folio Nos.
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.

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 5 & item number 6.

Item No. 5

Due to resignation of Shri Vivek Singhal, from the post of Managing Director, w.e.f. 1st June 2000, the post of Managing Director becomes vacant. Therefore to fill up the post, Shri Manish Singhal, B.Tech (IIT); M.S.(USA), presently holding the post of Director (Technical) and looking after the day to day production activity of the Company was appointed as the Managing Director in the Board Meeting held on 27.05.2000 at the remuneration of Rs.25000/- p.m. and perquisites specified in the resolution for a period of five years w.e.f. June 1st 2000 to 31st May 2005, as per provisions of section 269 read with section 309 and Schedule XIII of the Companies Act, 1956.

Later on the Board received a request from Shri Manish Singhal, Managing Director that he is receiving remuneration from other Company and also keeping in view the Company's financial position, he will not draw any remuneration from the Company till further information. The Board considered matter in its meeting dtd. 24th July, 2000 and accorded its approval for honorary services of Shri Manish Singhal.

Whenever, the Company earns profit, the Board is being authorised to finalise/change the terms and conditions of the appointment of Shri Manish Singhal with mutual consent of both parties.

None of the Directors of the company other than Shri Manish Singhal, himself and Shri G.S.Kandoi and Shri Vivek Singhal, relatives of Shri Manish Singhal, are interested in this resolution.

Item No. 6

Shri Vivek Singhal, B.E., M.B.A., is the Managing Director of the Company, has submitted his resignation w.e.f. 01.06.2000 to look after the affairs of Agency Division of the Company. Shri Vivek Singhal remained the pivotal behind inception of this Agency Division and keeping in view the higher occupancy in the Agency Division, the Board considered to appoint Shri Vivek Singhal as Chief Executive Officer of the Agency Division w.e.f. 01.06.2000 for a period of 5 years. In such capacity, he would assist the Company to expand its market and the Company would be benefited with his experience. Shri Vivek Singhal has been appointed at an initial remuneration of Rs. 15000/- p.m. in the pay scale specified in the appointment letter.

None of the Directors of the company other than Shri Vivek Singhal, himself and Shri G.S.Kandoi and Shri Manish Singhal, relatives of Shri Vivek Singhal, are interested in this resolution.

Place : Jaipur
Date : 24th July 2000

By order of the Board of Directors

sd/-
(G.S.Kandoi)
Chairman



DIRECTORS' REPORT

Dear Shareholder,

Your Directors have pleasure in presenting the 20th Annual Report together with Audited Accounts of the company for the year ended on 31st March, 2000.

FINANCIAL RESULTS :

	1999-00	(Rs in lacs) 1998-99
Sales/Income from operation	1624.96	1725.15
Other Income	2.56	1.55
Total Expenditure (Including variation in Stock)	1526.06	1566.06
Profit before Interest, Depreciation & Tax	101.46	160.64
Financial Expenses	37.26	33.61
Profit/(Loss) before Depreciation & Tax	64.20	127.03
Depreciation	74.34	73.19
Provision for Taxation	Nil	5.68
Profit/(Loss) after Tax	(10.14)	48.16
Add: Profit & Loss brought forward	228.55	180.39
Balance Carried to Balance Sheet	218.41	228.55

OPERATIONS :

The operation of the Company during the year was satisfactory till the labour problem started in November '99 affecting quality and quantity of production which lasted upto March '2000, resulting in reduced turnover of Rs. 1617.84 lacs in manufacturing division as compared to 1725.15 lacs in previous year and recorded negative growth of 6.22 %, which can mainly be attributed to labour unrest.

The Company has incurred net loss of Rs. 11.55 lacs in its manufacturing division. The reasons behind this are increased manufacturing expenses i.e. hike in power & fuel prices, minimum wage rate, increase in freight cost, lower unit sales price in comparison to increased cost and labour unrest. Moreover there was unprecedented price fluctuation in Raw Material, which added to the loss. These all factors played a crucial role to increase the cost of manufacturing but conversion cost or the rates given by cement units was even lowered. Looking to the poor profitability, management tried to reduce expenses in all spheres to save the company from further losses but non cooperation from workers overshadowed all good efforts by the Management. During the year under review the Company has marketed its product directly to save the cost of sales and saved a huge amount and restricted its losses.

First Time the Company incurred overall loss of Rs. 10.14 lacs after providing a sum of Rs. 74.34 lacs towards depreciation.

MANUFACTURING :

Company could process 2672.25 MT polymers during 1999-00 in comparison to 2929 MT during previous year. The production fall in the last quarter of the financial year due to labour problem. The labour problem was resolved in the second half of March '2000 and affected the production process by more than five months.

LABOUR RELATION :

During the year under review, the labour relations remained unsatisfactory. In spite of providing good working environment from November 1999 onwards, the labour unions have started creating problems and the labours went on slow down strike and reduced the productivity resulted in higher production cost. Finally, the workers remained on stike in January which lasted in one and half month. The relation with labours are still not cordial and may effect the profitability of current year also. Due to poor labour relations, quality of the product was also affected resulting imposing of penalty by user companies.

**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 264.03 MT polymers for export on behalf of RIL.

Y2K PROBLEM & COMPLIANCE :

Company. The Company did not receive any threat from Y2K bug as all the hardwares and softwares of the Company are 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, because non-availability of divisible profits.

PROJECTS AND EXPANSIONS :

Your Company has promoted Chrome International Company Ltd., which has started its production and did well during the year review. The turnover of CICL during 1999-00 was 1409.53 lacs

Now your Company is setting up a new project to manufacture HDPE/PP Woven sacks, fabrics, and other plastic products at Kaladara Industrial Area to expand its capacity.

DIVERSIFICATION :

The Company has started commercial activities in its Agency division, where the Company is consignment stockiest of Gas Authority of India Ltd. (GAIL) for Jaipur territory and marketed GAIL products worth Rs.187.34 lacs from its Depot in its maiden year of operation. Your Company is receiving good response from customers in this sector. The Agency Division earned net profit of Rs.1.41 lacs.

BUY BACK OF SHARES AND DELISTING FOR DELHI AND AHMADABAD STOCK EXCHANGES :

Your Company has obtained permission from members in 19th Annual General Meeting for buy back of Company's shares and delisting of shares from Delhi and Ahmadabad Stock Exchanges. But keeping in view the operational hurdles, your Company has dropped the ideas for both these.

DIRECTORS :

Shri A.S.Patani and Shri Manish Singhal Directors of the Company retires by rotation at the conclusion of the AGM and being eligible, offers themselves for reappointment.

Shri Vivek Singhal, Managing Director of the Company has tendered his resignation w.e.f. 1st June 2000. The Board appreciates the sincere efforts made by Shri Vivek Singhal during his tenure as Managing Director of the Company. Shri Manish Singhal, is being appointed as the new Managing Director of the Company, w.e.f. 1st June 2000 for a period of five years.

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 regarding non - provision of excise duty on closing stock of finished goods has no impact on profit or loss of the Company as explained by the Auditors in their report themselves. The rest part of the Auditors in their report is 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 EARNING 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.

Place : Jaipur

Date : 27th May, 2000

By order of the Board of Directors

sd/-
(G.S.Kandoi)
Chairman

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**Annexure "A" Annexed to the Director's Report:**

Particulars as required under companies (Disclosure of particulars in the report of Board of Directors) Rule, 1988 and forming part of the Directors Report for the year ended 31st March, 2000

A. CONSERVATION OF ENERGY :

The Company's efforts at energy conservation through close monitoring and control is continue.

B. TECHNOLOGY ABSORPTION :

The Company is using indigenous technology. However research & development (R & D) activities are carried out in the following areas.

1. Research & Development (R&D)

(a) Specific areas in which R&D Carried out by the Company

(i) Production Development Activities relating to Manufacturing by the Company

(ii) Standardisation of raw material sources and process parameters to match best quality standard conforming to the product division

(b) Benefits derived as a Result of above R&D

Reduction in the cost and process scrap Where ever possible.

(c) Further plan of action

Efforts will be made in the areas of further cost reduction by way of productivity improvement.

(d) Expenditure on R & D

R & D expenditure have not been accounted for separately

2. Technology absorption, Adaption and innovation

(i) Efforts in brief made towards Technology absorption, adaption and innovation

In house training is being imparted to plant personal to get conversent with The Technology Employed.

(ii) Benefits derived as a result of above efforts e.g. products improvement, cost reduction product development, import substitution etc.

Up gradation and standardisation in process parameters which helped in reducing process scrap and productivity improvement.

(iii) Particulars of Technology imported

None

C. Foreign Exchange Earning/out go :

Earning
Out go

1999-2000
NIL
NIL

1998-99
NIL
NIL

PLACE : JAIPUR
DATED : 27th May, 2000

sd/-
[G.S. KANDOI]
CHAIRMAN