



## 24<sup>th</sup> ANNUAL REPORT 2003-2004

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



*Weaving Quality*

## **KG PETROCHEM LIMITED**

**Regd. Off. & Works :** C-171, ROAD NO. 9J, V.K.I. AREA, JAIPUR - 302013 (INDIA)  
**Ph.:** 0141-2331231, 2331251, 2331281 **Fax:** 2332845 **email :** [kgplcid@datainfosys.net](mailto:kgplcid@datainfosys.net)



## **VISION**

WE ARE DEDICATED

TO DELIVER SUPERIOR STAKEHOLDER

VALUE WITH PASSION AND ENTREPRENEURIAL SPIRIT.



**Board of Directors**

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

**Bankers**

BANK OF BARODA  
V. K. I. AREA, JAIPUR.

**Auditors**

M/S. A. R. VIJAY & CO.  
Chartered Accountants  
202, Navjeevan Chambers,  
M. I. Road, JAIPUR-302001

**Corporate Advisor**

M/S. V. M. & ASSOCIATES  
Company Secretaries  
309, Samod Tower,  
S. C. Road, JAIPUR-302001

**Depository, Registrar & Share Transfer Agent**

M/S. NICHE TECHNOLOGIES PVT. LTD.  
D-511, Bagree Market,  
71, B. R. B. Basu Road,  
KOLKATA 700001

**Listing**

THE STOCK EXCHANGE, MUMBAI  
JAIPUR STOCK EXCHANGE LTD.  
THE DELHI STOCK EXCHANGE ASSOCIATION LTD.

**Registered Office & Works: C-171, Road No. 9J, Vishwakarma Industrial Area, JAIPUR 302013**

## CHAIRMAN'S STATEMENT



Dear Shareholders,

I am happy to highlight certain salient aspects of your company's performance during the Financial Year 2003-04. The Company earned Net Profit of Rs.52.47 Lacs in comparison to Rs.48.00 Lacs in previous year. However, the turnover of the company decreased to Rs.1340 Lacs due to volatile and competitive market.

These figures are encouraging and are even more impressive when looked at in the backdrop of the overall sector's performance due to severe competition coupled with pricing pressure. Let me share with you some of the key developments during the year.

The Health Care Division of the company - "The Apollo Clinic" become operational during the year. Over the past few years, we have dynamically evolved from a sacks-manufacturer to health care services and agency business of GAIL. We have steadily built our core area expertise, acquired new skills, strengthened our management and leadership skills towards these new areas. These strategic investments have accelerated our future growth / prospects and strongly positioned us for big change. We are shaping ourselves into a new age through diversified range of activities. In terms of these, the previous year was another eventful and action packed year at KG Petrochem Limited.

We have also embarked on a major investment programme in the area of textiles, agency business of BPCL for distribution and marketing of lubricants in North Rajasthan, participation in tenders for setting up dairy business, to name a few.

The outlook for the year ahead is very positive. Sales and revenues from manufacturing, agency and healthcare division and expansion of our activities will be the key drivers for the year ahead.

These initiatives have provided us with clear direction. I am confident that KG's strong foundation will continue to give us that competitive edge in the coming years.

In conclusion, I would like to thank all the investors for showing confidence in the company's success. I also want to place on record the extraordinary contribution of Team KG. I reinforce our commitment to deliver long term and sustainable value to our shareholders.

Yours sincerely,

Sd/  
G. S. Kandoi  
Chairman



## NOTICE

NOTICE is hereby given that the 24<sup>th</sup> Annual General Meeting of the members of KG PETROCHEM LIMITED will be held on Friday the 24<sup>th</sup> day of September, 2004 at 11.00 a.m. at the Registered Office of the company at C-171, Road No. 9J, VKI Area, Jaipur to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2004 and Profit and Loss account for the year ended on that date, together with the report of the Directors and the Auditors thereon.
2. To appoint a director in place of Shri G. S. Kandoi who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Shri R. J. Majithia who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

For & on behalf of the Board

Place: Jaipur  
Date: 25<sup>th</sup> JUNE, 2004

Sd/-  
(G.S.Kandoi)  
Chairman

### **NOTES:**

1. 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.
2. The Register of Members and the Share Transfer Books of the company will remain closed from 20<sup>th</sup> September, 2004 to 24<sup>th</sup> September, 2004 (both days inclusive)
3. Members are requested to notify change of address, if any, to the company.
4. Members are requested to put their signature at the space provided on the attendance slip annexed to the proxy form and handover the slip at the entrance of the place of meeting.
5. 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.
6. Shareholders desiring any information as regards the accounts, are requested to write to the Company at an early date so as to enable the management to keep the information ready at the meeting.
7. As per the provisions of the Companies Act, 1956, facility for making nomination is now available to the shareholders in respect of the shares held by them. Nomination form can be obtained from the Registrar & Transfer Agent of the Company.

For & on behalf of the Board

Place: JAIPUR  
Date: 25<sup>th</sup> JUNE, 2004

Sd/-  
(G.S.Kandoi)  
Chairman

### **BRIEF PROFILE OF DIRECTORS AS PER CLAUSE 49 OF LISTING AGREEMENT**

Particulars	Shri R. J. Majithia	Shri G. S. Kandoi
Date of Birth & Age	29.01.1934 (70 Years)	17.11.1943 (61Yrs.)
Date of appointment on the Board	20.11.1997	05.09.2003
Qualification	B. Com., LL.B.	B.E.(Mech.)
Expertise in Specific functional areas	Accounts & Finance	Management & Finance
Directorship held in other companies as on 31 <sup>st</sup> March, 2004	Nil	Chrome International Co. Ltd.



## DIRECTORS' REPORT

Dear Shareholder,

Your Directors recorded consistently growing performance in the year 31 March 2004. The strategic plans, where our success will be gauged by our abilities to leverage our capabilities to the fullest. It is precisely this that makes the Annual Report for the year ended 31 March 2004 very significant.

Your Directors take immense pleasure in presenting the 24<sup>th</sup> Annual Report on the working of the company together with audited accounts for the financial year ended on 31st March 2004.

The facts and figures presented before you reflect more than just your Company's financial performance. You will also find results of your company management's efforts to take your company from strength to strength even in this highly competitive and volatile market, producing better returns in turn.

### FINANCIAL RESULTS:

	<u>2003-2004</u>	(Rs. in Lacs) <u>2002-2003</u>
Sales/Income from operation	1340.18	1648.05
Other Income	25.71	7.87
Total Expenditure (Including variation in Stock)	1210.31	1513.81
Profit before Interest, Depreciation & Tax	155.58	142.11
Financial Expenses	9.29	9.92
Profit/(Loss) before Depreciation & Tax	146.29	132.19
Depreciation	79.47	72.73
Provision for Taxation	14.35	11.46
Profit/(Loss) after Tax	52.47	48.00
Profit & Loss brought forward	246.41	198.41
Add : Deferred Tax Liability (Reversed)	18.28	0.00
	<u>264.67</u>	<u>198.41</u>
Balance Carried to Balance Sheet	317.14	246.41

### OPERATIONS:

#### Manufacturing Division

The operation of the Company during the year was satisfactory. The turnover of the company although reduced to Rs.1310.50 Lacs in manufacturing division as compared to 1631.52 Lacs in previous year and recorded a fall of 19.67%. However, the company has earned profit before tax (PBT) of Rs.90.22 Lacs in its manufacturing division after providing depreciation of Rs.72.81 Lacs against PBT of Rs.57.89 Lacs after providing depreciation of Rs.72.73 Lacs during the year 2002-03, registering a growth of 24%. This was all due to cost control measure adopted in every sphere of organizational activity.

#### Agency Division

The Company is doing trading activities in its Agency division, where the Company is consignment stockiest of GAIL (India) Ltd. and marketed GAIL products worth Rs.1731.15 Lacs. Your Company is receiving good response from customers in this sector. The Agency Division earned net profit of Rs.6.08 Lacs during the year ended 31.03.2004 in comparison to Rs. 1.56 Lacs in the previous year 2002-2003.

During the year under review the Agency Division has done marketing of multifunctional fuel additive, product of M/s ELF, a French oil company.

#### Health Care Division

During the year, your company has opened Health Care Division and started functioning from November 2003 under the logo "The Apollo Clinic" at Sarojini Marg, C-Scheme, Jaipur. The Apollo Clinic is doing well and during the year it has achieved receipts to the tune of Rs. 12.52 Lacs. The management is hopeful for better performance in future.

### NET WORTH:

Your company continued to perform creditably in 2003-2004, as well. The year saw your company's net worth growing from Rs. 830.89 Lacs of the previous year to Rs. 915.44 Lacs as on 31 March 2004, an increase of 10.17%.

### MANUFACTURING:

Company could process 2234.24 MT polymers during 2003-04 in comparison to 2734.36 MT polymers during 2002-03 due to severe competition coupled with pricing pressures. However, the management is hopeful for better performance in future.



## LABOUR RELATION

During the year under review, the labour relations remained satisfactory. The relations with labours are cordial and all the workers, during the year under review, achieved good quality production.

## EXPORT

The Company is making all efforts to export its product and presently acting as supporting manufacturer of M/s. Reliance Industries Ltd. as and when spare capacity remains available.

## DIVIDEND

Your directors are unable to recommend any dividend during the year under review to conserve funds for diversification in new business.

## PROJECTS AND EXPANSIONS

Your company is planning on major investment plan to enter into textile sector i.e. cotton spinning mill / terry towel project costing about 30 Crores in phased manner.

Your directors have also initiated for C & F Agency of BPCL for distribution and marketing of its lubricants in the North Rajasthan.

Your directors have also shown their interest in participation of tender for setting up 1.5 Lakh Liter per day Dairy at Kothputli on BOT basis for Rajasthan Co-operative Dairy Federation (RCDF).

## DIRECTORS

In terms of the provisions of the Companies Act, 1956 and Articles of Association, Shri G. S. Kandoi and Shri R. J. Majithia, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

## DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, is hereby confirmed:

- (i) that in preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for the preventing and detecting fraud and other irregularities;
- (iv) that the Directors had prepared the annual accounts for the year ended 31<sup>st</sup> March, 2004 on a going concern basis.

## CORPORATE GOVERNANCE

Your company strives to imbibe high standards of corporate governance while interacting with all its stakeholders. Your company has complied with the corporate governance code as stipulated under the listing agreement with the stock exchanges. A separate section on Corporate Governance along with a certificate from the auditors confirming the level of compliance is annexed and forms a part of the Directors' report.

## COMMITTEES OF THE BOARD

There are following committees of the Board of Directors of the Company:

- Audit Committee
- Remuneration Committee
- Investor Grievance Committee

The detailed report on the Committees, its constitution, its role / functions etc. forms part of the Corporate Governance Report.

**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, to hold office from the conclusion of this meeting until the conclusion the next Annual General Meeting. Certificate from the Auditors has been received to the effect that their reappointment, if made would be within the limits prescribed under section 224 (1B) of the Companies Act, 1956.

**AUDITORS' REPORT**

The Auditors' report is self-explanatory and do not call for any further comments.

**VOLUNTARY DELISTING OF SHARES**

During the year, the equity shares of the company have been delisted from Ahmedabad Stock Exchange vide their letter dated 08.04.2004. Approval for delisting from Delhi and Jaipur Stock Exchange is awaited. However, the company has complied with the applicable provisions in this regard.

The equity shares of the company continue to be listed on The Stock Exchange, Mumbai.

**PARTICULARS OF EMPLOYEES**

There were no employees whose remuneration was in excess of the limits prescribed under sec. 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**PUBLIC DEPOSITS**

The Company has not accepted any public deposits in terms of section 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 'B' forming part of this report. Form "A" requiring disclosure of conservation of energy is not applicable in case of your Company.

**COMPLIANCE REPORT**

Towards, company's commitment to transparency and due compliance of applicable laws, the board is pleased to enclose Compliance Report in Annexure 'A' for the year 2003-2004 as a part of the Directors' Report.

**FORWARD LOOKING STATEMENTS**

This report including Report on Corporate Governance, Management Discussion & Analysis, contains forward-looking statements that involve risks and uncertainties. Your company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements.

**ACKNOWLEDGEMENT**

The Directors wish to thank and acknowledge with gratitude for the active co-operation, assistance and support rendered by Company's Bankers- Bank of Baroda, State Bank of Bikaner & Jaipur, State Bank of India (Slepper), HDFC Bank Ltd. customers, shareholders and various Central and State Government Agencies.

We take this opportunity to thank the employees for their contribution to the growth and success of your company. We would also like to thank all other stakeholders and business associate for their support.

On behalf of the Board of Directors

Place : JAIPUR  
Date : 25<sup>th</sup> JUNE, 2004

Sd/-  
(G.S. KANDOI)  
CHAIRMAN





## Annexure "A" Annexed to Directors' Report COMPLIANCE REPORT

To

The Members,

We are pleased to confirm that the Company has:

- ✦ maintained all the books of accounts and statutory registers required under the Companies Act, 1956 ("the Act") and the rules made there under.
- ✦ filed all the forms and returns and furnished all the necessary particulars to the Registrar of Companies, Rajasthan, as required by the Act.
- ✦ issued all notices required to be given for convening of Board/ Committee Meetings and General Meeting, within the time limit prescribed by law.
- ✦ conducted the Board/ Committee Meetings and Annual General Meeting as per the Act.
- ✦ complied with all the requirements relating to minutes of the proceedings of the meeting of the Directors/ Committee and the shareholders.
- ✦ made due disclosure required under the Act.
- ✦ not exceeded the borrowing powers
- ✦ no penalties or strictures have been imposed on the company by the Stock Exchange, Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter related to Capital Markets during the last three years.
- ✦ the company has generally complied with the applicable provisions of the Listing Agreements with the Stock Exchanges. However, the connectivity with the Central Depository Services (India) Ltd. (CDSL) is in process.
- ✦ pursuant to the delisting application of the company, the Stock Exchange at Ahmedabad has delisted the equity shares of the company. However, final approval from the Delhi Stock Exchange and Jaipur Stock Exchange is awaited.
- ✦ the company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

For KG Petrochem Limited

Sd/-

(G.S.KANDOI)  
Chairman

Place: JAIPUR

Date : 25th JUNE 2004

## Annexure "B" Annexed to the Directors' 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 31<sup>st</sup> March 2004.

### A. CONSERVATION OF ENERGY

The Company's efforts at energy conservation through close monitoring and control are 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 confirming to the product division Reduction in the cost and process scrap where ever possible.

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

(c) Further plan of action

(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 being imparted and innovation

In-house training is being imparted to plant personnel to get conversant with The Technology Employed.

(ii) Benefits derived as a result of improvement cost reduction product development, import substitution etc.

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

(iii) Particulars of Technology imported

None

#### C. Foreign Exchange Earnings / Out go:

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans: Nil  
Total foreign exchange earnings and outgo:

Earnings  
Out go

2003-04  
Nil  
Nil

2002-03  
Nil  
Nil

For & on behalf of the Board

Place: JAIPUR

Dated: 25<sup>th</sup> JUNE, 2004

Sd/-

(G.S.Kandoi)  
Chairman



## MANAGEMENT DISCUSSION & ANALYSIS

The Report on Management discussion and Analysis in compliance with the Clause 49 of the Listing Agreement with the Stock Exchanges is as under:

### **BUSINESS OF THE COMPANY**

Presently your company ( ISO 9001:2000 Certified Company) is engaged in the manufacture and marketing of HDPE/PP Woven Sacks that finds a wide range of industrial applications. The application of the product covers Cement, Sugar, Fertiliser, etc.

### **REVIEW OF OPERATIONS**

Capacity utilization was achieved at 66% during the year under review.

Sales turnover of Rs. 1340.18 Lacs was achieved during the year under review even after facing severe competition in the market. The Profit Before Interest, Depreciation and Tax (PBITD) to sales ratio was 11.61% compared to 8.62% in the previous year. Profit Before Tax (PBT) was Rs. 66.82 Lacs compared to Rs. 59.46 Lacs in the previous year registering an increase of 12.38%. The Profit After Tax was Rs. 52.47 Lacs as against Rs. 48.00 Lacs for the previous year recorded an increase of 9.31%. Provision for Income Tax at Rs. 14.35 Lacs has been made as per Income Tax Act. Earning per equity share (EPS) was Re. 1.00 for the year under review as against Re. 0.92 for the previous year.

### **BUSINESS OUTLOOK**

International competitive market environment continues to put pressure on the company's selling price of the product.

### **INTERNAL CONTROL SYSTEM**

The company has established an appropriate system of internal controls to ensure use of the company's resources and protection thereof, apart from having control over all the transactions and compliance with laws and regulations. The Audit Committee's observations and recommendations, significant risk area assessment and adequacy of internal control are periodically discussed and reviewed in the meeting of the Board. The management acts upon the Audit Committee's observations.

### **FINANCE & FINANCIAL RISKS**

The company has credit limits with Bank of Baroda to meet its regular working capital requirements. Throughout the year, the company maintained high liquidity position. Financial risk could include heavy fluctuation in the international market i.e. due to increase in crude oil prices, may have impact on payment for raw materials.

### **STATUTORY COMPLIANCE**

On obtaining confirmation of having complied with all the statutory requirements, a declaration regarding compliance of the provisions of various statutes is made elsewhere in this report.

### **INDUSTRIAL RELATIONS AND HUMAN RESOURCES**

As in the past, Industrial relations continued to remain cordial at the manufacturing unit of the company. The employees of the company are working in a healthy atmosphere.

**Agency Division:** Your Company is consignment stockiest for Gail (India) Ltd. since last 5 years. Sale of polymers granules (HDPE, LLDPE, etc.) has increased by 16.35%. Your company is also in race for bagging C & F and marketing operations of Bharat Petroleum's lube business.

**Health Care Division:** Your Company has been appointed franchisee of Apollo Health And Lifestyle Limited, a unit of Apollo Group of Hospitals. It has started "The Apollo Clinic" at the heart of the Pink City located at C-Scheme, Jaipur from November 2003. The clinic is offering world-class diagnostic and consultation services in all fields of medical science. The 24-hour medical store is also part of the clinic. Your Company is also planning to set up Apollo Hospital at Jaipur.

**Future Strategic Investments:** Your Company has ambitious plan to increase its turnover and profitability. One lamination plant will be shortly installed at the existing site. This will help the company in marketing its bags to fertilizer units and it also has plans to launch branded Tarpaulins.

Diversification in textile is also in hands. Negotiations with machinery suppliers is at advance stage for setting up a Terry Towel Project. Your Company is also participating in tender to pack milk for Rajasthan Cooperative Dairy Federation (RCDF) on BOT basis.

Place: JAIPUR  
Dated: 25<sup>th</sup> JUNE, 2004

For & on behalf of the Board  
Sd/-  
(G. S. Kandol)