



25th ANNUAL REPORT 2004-2005

**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 :** kgplcicl@datainfosys.net

VISION

WE ARE DEDICATED

TO DELIVER SUPERIOR STAKEHOLDER

Report  Junction.com

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 MANISH SINGHAL, Managing Director
SHRI VIVEK SINGHAL
SHRI A. S. PATANI
SHRI ARVIND KUCHERIA

Bankers

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

Auditors

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

Corporate Advisor

M/S. V. M. & ASSOCIATES
Company Secretaries
309-310, Samod Tower,
Dudu Bagh, 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

Depository Participant

NATIONAL SECURITIES DEPOSITORY 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 2004-05. The Company earned Net Profit (PAT) of Rs. 43.09 Lacs in comparison to Rs. 70.73 Lacs in previous year. However, the turnover of the company is also decreased to Rs. 839.60 Lacs in comparison to previous year i.e. Rs. 1114.53 Lacs due to volatile and competitive market.

During the year under review your company has done job work, for Birla Plus Cement, a unit of Aditya Birla Group, of more than 50% of the total polymer extrusion and therefore this shows a decreasing trend in turnover. During the year, the company has put up Lamination Plant to manufacture laminated Bags and Tarpaulins. Let me share with you some of the key developments during the year.

The Health Care Division of the company "The Apollo Clinic" is on its line to achieve the better performance during the year. It has achieved Income from operation to Rs. 52.25 Lacs from Rs. 12.52 Lacs in previous year. We have dynamically evolved from a sacks-manufacturer to textile, health care services and agency business of GAIL.

During the year under review, your company has acquired 71834 Sq. mtr. Land from Riico at Keshwana Industrial Area, Kotputli, Distt. Jaipur for setting up Terry Towel Project. Your company has started construction work, placed orders for plant and machineries with overseas / domestic manufacturers. Some of the machineries have reached at site. Your company is expected to start commercial production by October 2005. The company is looking for overseas buyers, as the Terry Towel is an export product. We have steadily built our core area expertise, acquired new skills, and 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. In terms of these, the previous year was another eventful and action packed year at KG Petrochem Limited.

As discussed in 24th AGM, the idea for agency business of BPCL for distribution and marketing of lubricants in North Rajasthan, for setting up dairy business, is dropped for the time being.

The outlook for the year ahead is very positive. Sales and revenues from manufacturing of woven sacks & terry towel, 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 you 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 25th Annual General Meeting of the members of KG PETROCHEM LIMITED will be held on Wednesday the 20th day of July, 2005 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 31st March 2005 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 Yatindra Singh who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Shri Vivek Singhal 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.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as ordinary resolution:
 "RESOLVED THAT Mr. Arvind Kucheria who was appointed as an Additional Director by the Board under section 260 of the Companies Act, 1956 and Article 77(b) of the Articles of Association of the Company and who holds office only up to the date of this Annual General Meeting and in respect of whom the Company has received notice in writing, under section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of a Director of the Company, be and is hereby appointed as a Director of the Company."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:
 "RESOLVED THAT pursuant to section 293 (1) (d) of the Companies Act, 1956 or any amendment or modification thereof, authority be and is hereby accorded to the board of directors of the company to borrow and raise such sum(s) of money from time to time as may be required together with moneys already borrowed by the company (apart from the temporary loans obtained by the company from its Bankers) in the ordinary course of business exceeds aggregate of the paid up capital of the company and its free reserves that is to say, reserves not set apart for any specific purpose, shall not exceed a sum of Rs. 100.00 crores (Rupees One Hundred Crores) at any one time.
 Resolved further that the Board be and is hereby authorised to take all necessary steps to give effect to this resolution"
7. To declare the result of postal ballot proceedings.

For & on behalf of the Board

Place: Jaipur
Date: 30th MAY 2005

Sd/-
(G.S.Kandoi)
Chairman

NOTES:

1. The relative explanatory statements pursuant to section 173(2) of the Companies Act, 1956 are annexed here to.
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 closed from 16th July, 2005 to 20th July, 2005 (both days inclusive)
4. Members are requested to notify change of address, if any, to the company.
5. 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.
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.



7. 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.
8. 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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

Mr. Arvind Kucheria joined the Board of the Company on 30.05.2005 as an Additional Director and as per provisions of section 260 of the Companies Act, 1956 he holds office as a Director up to the date of this Annual General Meeting. Company has received notice from a member alongwith deposit of Rs. 500/-, signifying his intention to propose Mr. Arvind Kucheria as a Director.

The Board of Directors recommends the passing of the resolution. None of the directors except Arvind Kucheria is in any way concerned or interested in the resolution.

ITEM NO. 6

Section 293(1)(d) of the Companies Act, 1956 requires that the Directors of the Company should obtain the consent of the shareholders in the General Meeting to enable them to borrow moneys where the amount to be borrowed together with amount already borrowed by the company will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes.

At present the company can borrow under section 293(1)(d) of the Companies Act, 1956 to the tune of Rs. 15.00 Crores (Rupees Fifteen Crores Only). The company has already embarked upon Terry Towel Project and has received Sanction from Bank of Baroda, V.K.I. Area, Jaipur sanctioning credit facilities of Rs. 28.12 Crores.

In view of the growing operations and taking into account the requirement of additional funds, it is therefore recommended to authorise the Board of Directors of the company to borrow from time to time for the purpose of carrying out the business of the company, subject to the condition that money, so borrowed shall not exceed Rs. 100.00 Crores. (Rupees One Hundred Crores) Accordingly the Board of Directors thought it desirable to obtain the consent of shareholders to increase in the limit of borrowing powers for a sum not exceeding Rs. 100.00 Crores (Rupees One Hundred Crores).

The Directors recommend the approval of the Shareholders thereto.

None of the directors of the company is concerned or interested in this resolution.

ITEM NO. 7

In view of postal ballot for items u/s 293 (1)(a) of the Companies Act, 1956, result of postal ballot shall be declared by the chairman of the meeting. This is in compliance with the provisions of section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001.

None of the directors of the company is concerned or interested in this resolution.

Your directors commend the item.

For & on behalf of the Board

Place: JAIPUR
Date: 30th MAY 2005

Sd/-
(G. S. KANDOLI)
Chairman

BRIEF PROFILE OF DIRECTORS AS PER CLAUSE 49 OF LISTING AGREEMENT

Particulars	Shri Yatindra Singh	Shri Vivek Singhal	Sh. Arvind Kucheria
Date of Birth & Age	07.10.1933 (72 Years)	28.05.1969 (36 Yrs.)	08.07.1960 (45 Yrs.)
Date of appointment on the Board	15.07.1999	23.06.1993	30.05.2005
Qualification	M.Sc.(Physics) & Maths	B.E.(Mech.) & MBA(USA)	B.Com. & C.S. (Inter)
Expertise in Specific functional areas	Accounts & Finance	Management	Accounts & Finance
Directorship held in other companies as on 31 st March, 2005	Nil	Nil	Nil

DIRECTORS' REPORT

Dear Shareholder,

Your Directors take immense pleasure in presenting the 25th Annual Report on the working of the company together with audited accounts for the financial year ended on 31st March 2005.

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:

	2004-2005	(Rs. in Lacs) 2003-2004
Sales/Income from operation	839.80	1114.53
Other Income	15.95	25.71
Total Expenditure (Including variation in Stock)	684.85	984.66
Profit before Interest,		
Depreciation & Tax	170.70	155.58
Financial Expenses	15.70	9.29
Profit before Depreciation & Tax	155.00	146.29
Depreciation	87.16	79.47
Provision for Taxation	24.75	(3.61)
Profit after Tax	43.09	70.73
Profit & Loss brought forward	317.14	248.41
Balance Carried to Balance Sheet	360.23	317.14

OPERATIONS:

MANUFACTURING DIVISION

The operation of the Company during the year was satisfactory. The turnover of the company reduced to Rs. 770.50 Lacs in manufacturing division as compared to 1084.85 Lacs in previous year and recorded a fall of 29%. This is because during the year under review, your company has supplied Bags on job work basis that comes to more than 50% of total polymer extrusion. However, the company has earned profit before tax (PBT) of Rs. 88.04 Lacs in its manufacturing division after providing depreciation of Rs. 73.36 Lacs against PBT of Rs. 76.64 Lacs after providing depreciation of Rs. 72.81 Lacs during the year 2003-04. 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. 2447.50 Lacs. Over and above hike in international prices of the product i.e. polymers, your company is receiving good response from customers in this sector. The Agency Division earned net profit of Rs. 5.58 Lacs during the year ended 31.03.2005 in comparison to Rs. 8.08 Lacs in the previous year 2003-2004. Recently GAIL (I) Ltd. has permitted the company to open stock point at Jodhpur. The company has hired office cum godown at Jodhpur and will start operation shortly. This will enhance the trading activity of this division.

HEALTH CARE DIVISION

During the year, Health Care Division of your company i.e. "The Apollo Clinic" is doing well and during the year it has achieved receipts to the tune of Rs. 52.25 Lacs. The management is anticipating for better performance in future.

NETWORTH:

Your company continued to perform creditably in 2004-2005, as well. The year saw your company's net worth growing from Rs. 915.44 Lacs in the previous year to Rs. 923.76 Lacs as on 31 March 2005.

MANUFACTURING:

Company could process 1712.650 MT polymers during 2004-05 in comparison to 2234.24 MT polymers during 2003-04 due to severe competition coupled with pricing pressures. However, the management is expecting 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 its efforts to export its new product i.e. Terry Towel. This product is highly sophisticated and will enhance new points in the international market that will increase the company's creditability.

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 directors have also initiated for C & F Agency of BPCL for distribution and marketing of its lubricants in the North Rajasthan, and 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). But at present both the projects have been dropped for the time being.

During the year the company has put up a Lamination Plant at Regd. Office & works for manufacture Laminated Bags & Tarpaulins.

As discussed in the previous annual general meeting, your company has purchased a land admeasuring 71834 sq. mtr. at Keshwana Industrial Area, Kotputli, Distt. Jaipur from Rico and started construction work for setting up terry towel project. The orders for plant & machineries have been placed with the international and domestic manufacturers. Some of the machineries have reached at site. Your company is enthusiastically hopeful to start commercial production by October 2005.

DIRECTORS

In terms of the provisions of the Companies Act, 1956 and Articles of Association, Shri Yatindra Singh and Shri Vivek

Singhal, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

In terms of section 257(1) of the Companies Act, 1956 and Articles of Association of the company, Shri Arvind Kucheria, an additional director is sought to be appointed as director of the Company liable to retire by rotation.

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 31st March, 2005, 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 31st March, 2005 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 Jaipur and Delhi Stock Exchange vide their letters dated 21.07.2004 & 19.01.2005 respectively.

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

DEMAT OF SHARES

During the year, your company has received a certificate from National Securities Depository Limited bearing No. JS/MM/MISC/1898/2005 dated 03.05.2005 regarding connectivity of the equity shares of the company. Your company is also expecting to receive a certificate on the same issue from Central Depository Service (India) Ltd.

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 2004-2005 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 (Slapper), H.D.F.C. Bank Ltd., ICICI Bank Limited, customers, and 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 : 30th MAY 2005

Sd/-
(G.S. KANDOL)
CHAIRMAN



Annexure 'A' Annexed to Directors Report COMPLIANCE REPORT

To
The Members,

We are pleased to confirm that the Company has:

- (1) maintained all the books of accounts and statutory registers required under the Companies Act, 1956 ("the Act") and the rules made there under.
- (2) filed all the forms and returns and furnished all the necessary particulars to the Registrar of Companies, Rajasthan, as required by the Act.
- (3) issued all notices required to be given for convening of Board/ Committee Meetings and General Meeting, within the time limit prescribed by law.
- (4) conducted the Board/ Committee Meetings and Annual General Meeting as per the Act.
- (5) complied with all the requirements relating to minutes of the proceedings of the meeting of the Directors/ Committee and the shareholders.
- (6) made due disclosure required under the Act.
- (7) 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.
- (8) 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.
- (9) pursuant to the delisting application of the company the Stock Exchanges at Jaipur and Delhi have delisted the equity shares of the company.

For KG Petrochem Limited

Place: JAIPUR
Date: 30th MAY 2005

Sd/-
(G.S.KANDOI)
Chairman

Annexure "B" Annexed to the Directors' Report

Particulars as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1986 and forming part of the Directors Report for the year ended 31st March 2005.

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

R & D expenditure have not been accounted for separately

(c) Further plan of action
(d) Expenditure on R & D

2. Technology absorption, Adaption and Innovation

(i) Efforts in brief made towards Technology absorption, adaption being imparted and Innovation
(ii) Benefits derived as a result of improvement cost reduction product development, import substitution etc.

In-house training is being imparted to plant personnel to get conversant with The Technology Employed.
Up gradation and standardisation in process parameters that helped in reducing process scrap and productivity improvement.
None

(iii) Particulars of Technology Imported

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:

	2004-05	2003-04
Earnings	Nil	Nil
Out go	Nil	Nil

For & on behalf of the Board

Place: JAIPUR
Dated: 30th MAY 2005

Sd/-
(G. S. KANDOI)
Chairman