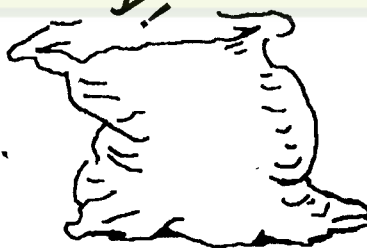




26th ANNUAL REPORT 2005-2006

**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-302 013 (INDIA)
Ph. : 0141-2331231, 2331251, 2331281 • Fax : 2332845 • E-mail : kgplcicl@datainfosys.net



VISION

WE ARE DEDICATED

Report  Junction.com

TO DELIVER SUPERIOR STAKEHOLDER

VALUE WITH PASSION AND ENTREPRENEURIAL SPIRIT



Board of Directors

SHRI G. S. KANDOI, CHAIRMAN
SHRI VIVEK SINGHAL
SHRI MANISH SINGHAL, Managing Director
SHRI A. S. PATANI
SHRI ARVIND KUCHERIA
SHRI AMAR CHAND GUPTA

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

BOMBAY STOCK EXCHANGE LTD., MUMBAI

Depository Participant

National Securities Depository Ltd.
Central Depository Services (India) Ltd.

Registered Office & Works: C-171, Road No. 9J, Vishwakarma Industrial Area, JAIPUR-302 013
Tel. No: 0141-2331231, 2331251, 2331281 Fax: 0141-2332845 email ID: kgplcicl@datainfosys.net

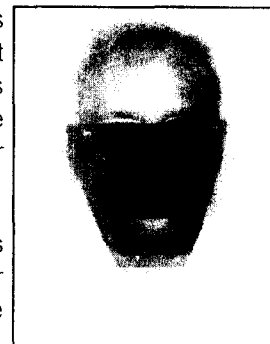


CHAIRMAN'S STATEMENT

Dear Shareholders,

I am happy to highlight certain salient aspects of your company's performance during the Financial Year 2005-06. The Company earned Net Profit (PAT) of Rs. 21.31 Lacs in comparison to Rs. 43.09 Lacs in previous year, due to volatile and competitive market. However, the turnover of the company has increased to Rs. 1211.90 Lacs in comparison to previous year i.e. Rs. 839.60 Lacs.

During the year under review your company has done job work, for Birla Plus Cement, a unit of Aditya Birla Group, of almost 50% of the total polymer extrusion. 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. 61.20 Lacs from Rs. 52.25 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 started commercial production of Terry Towel with partial machines in the month of December 2005. The company is looking for overseas buyers, as the Terry Towel is an export product. It has achieved turnover of Rs. 206.55 Lacs during 3 ½ months including export sales of Rs. 14.99 Lacs. 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 year was another eventful and action packed year at KG Petrochem Limited.

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,

G. S. KANDOI
Chairman



NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of the members of KG PETROCHEM LIMITED will be held on Saturday the 30th day of Sep., 2006 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 2006 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 Abhigna S. Patani who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Shri G. S. Kandoi 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. Amar Chand Gupta 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 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."

For & on behalf of the Board

Place: Jaipur
Date : 26th JUNE 2006

Sd/-
(G.S.Kandoi)
Chairman

NOTES:

1. The relative explanatory statement pursuant to section 173 (2) of the Companies Act, 1956 is 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 closed from 26th September, 2006 to 30th September, 2006 (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. Amar Chand Gupta joined the Board of the company on 26.06.2006 as an additional director and as per provisions of section 260 of the Companies Act, 1956 he holds office up to the date of this Annual General Meeting. The Company has received notice from a member along with deposit of Rs. 500/- signifying his intention to propose Mr. Amar Chand Gupta as a director.

The Board of Director recommends the passing of the resolution. None of the directors except Mr. Amar Chand Gupta is in any way concerned or interested in the passing of the aforesaid resolution.

For & on behalf of the Board

Place: JAIPUR
Date: 26th JUNE 2006

Sd/-
(G. S. KANDOI)
Chairman



BRIEF PROFILE OF DIRECTORS AS PER CLAUSE 49 OF LISTING AGREEMENT

Particulars	Shri Abhigna S. Patani	Shri G. S. Kandoi	Shri Amar Chand Gupta
Date of Birth & Age	28.09.1969 (37 Years)	17.11.1943 (63Yrs.)	26.08.1944 (62 Years)
Date of appointment on the Board	01.01.0994	06.09.2003	26.06.2006
Qualification	B.A, PGDCA	B.E.(Mech.)	B.E. (Electrical)
Expertise in Specific functional areas	Marketing & Finance	Management & Finance	Production & Management
Directorship held in other companies as on 31 st March, 2006	Nil	Chrome International Co.Ltd.	Nil
Membership / Chairmanships of Communities in other Public Companies.	Nil	Nil	Nil
No. of Shares Hold	5400	415000	Nil



DIRECTORS' REPORT

Dear Shareholder,

Your Directors take immense pleasure in presenting the 26th Annual Report on the working of the company together with audited accounts for the financial year ended on 31st March 2006.

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>2005-2006</u>	(Rs. in Lacs) <u>2004-2005</u>
Sales/Income from operation	1211.90	839.60
Other Income	44.26	15.95
Total Expenditure		
(Including variation in Stock)	1077.96	684.85
Profit before Interest,		
Depreciation & Tax	178.20	170.70
Financial Expenses	40.67	15.70
Profit /(Loss) before Depreciation & Tax	137.53	155.00
Depreciation	108.31	87.16
Provision for Taxation	7.91	24.75
Profit /(Loss) after Tax	21.31	43.09
Prior Period Adjustment (Dep.)	19.09	0.00
Profit & Loss brought forward	360.23	317.14
Balance Carried to Balance Sheet	400.63	360.23

OPERATIONS:

Woven Sacks Division

The operation of the Company during the year was satisfactory. The turnover of the company increased to Rs. 926.49 Lacs in manufacturing division as compared to Rs.770.50 Lacs in previous year and recorded an increase of almost 20%. During the year under review, your company has supplied Bags on job work basis that comes to about 50% of total polymer extrusion. The company has earned profit before tax (PBT) of Rs. 106.18 Lacs in its manufacturing division after providing depreciation of Rs. 45.42 Lacs in comparison to previous year PBT of Rs. 88.04 Lacs after providing depreciation of Rs.73.36 Lacs.

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 of 4243.473 MT worth Rs. 2625.76 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 commission of Rs. 17.66 Lacs in comparison to Rs. 16.85 Lacs during the year 2004-2005. As discussed in previous Annual General Meeting, GAIL (I) Ltd. has permitted the company to open stock point at Jodhpur. The company has hired office cum godown at Jodhpur and started operation from there. But due to poor response it has closed down the operation from Jodhpur depot.

Health Care Division

During the year, Health Care Division of your company i.e. "The Apollo Clinic" has done well and it has achieved receipts to the tune of Rs.61.20 Lacs in comparison to Rs.52.25 Lacs in previous year. The management is anticipating for better performance in future.

Textile Division

During the year, Textile Division has made sales of Rs. 206.55 Lacs including export sale of Rs. 14.99 Lacs in 3 ½ months. During the period it has done job work of many reputed concerns like, Welspun, Modern Terry Towel, Parasfab, etc. The management of your company is anticipating better results in the next year. The Division has



incurred a loss of Rs. 67.98 lacs in its maiden period operation due to interest burden of Rs. 20.21 lacs and provision for depreciation of Rs. 48.35 lacs

NET WORTH:

Your company continued to perform creditably in 2005-2006, as well. The year saw your company's net worth growing from Rs. 924.00 Lacs in the previous year to Rs. 1040.00 Lacs as on 31 March 2006.

MANUFACTURING:

Company could process 2033.463 MT polymers during 2005-06 in comparison to 1712.65 MT polymers during 2004-05 in spite of 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 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. During the year under review the company exported Terry Towel worth Rs. 14.99 lacs.

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

As discussed in the previous annual general meeting, your company commenced trial production of Terry Towel on 10th October 2005 and started commercial production from 16.12.2005 at SP4/3 RIICO Industrial Area, Keswana, Kotputli, Jaipur with partial machines. The management of your company is hopeful to implement the project by the end of September 2006.

DIRECTORS

With profound grief your company pays homage to Shri Yatindra Singh and pray god to let his soul rest in peace. He demised on 10th August 2005. The management appreciated his contribution to the company.

Shri R. J. Majithia, retiring director of the company submitted his resignation due to some personal reasons. The management of your company accepted his resignation with an appreciation of his association with the company.

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

In terms of the provisions of the companies Act, 1956 and articles of association, Shri Abhigna S. Patani, Director of the company retire by rotation at the ensuring annual general meeting and being eligible, offers himself for reappointment.

Mr. Amar Chand Gupta was appointed as an additional director in board meeting held on 26.06.2006. In terms of section 257 (1) of the Companies Act, 1956 and Articles of Association of the company, Shri Amar Chand Gupta, an additional director is sought to be appointed as director of the company liable to retire by rotation.

DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of 217(2AA) of the Companies Act, 1956, your directors confirm as under :

(i) that in the preparation of the annual accounts, the applicable accounting standards had 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 are 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 as at 31st March, 2006 and of the profit or loss of the Company for the year.
- (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 preventing and detecting fraud and other irregularities;
- (iv) that the Directors had prepared the annual accounts 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.

DEMAT OF SHARES

During the year, your company has received a certificate from Central Depository Services (India) Ltd. bearing No. CDSL/OPS/PG/5114 dated 21.07.2005 regarding connectivity of the equity shares of the company. The company has got connectivity with both NSDL and CDSL.

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 2005-2006 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
Sd/-

Place : JAIPUR
Date : 26th JUNE 2006

(G.S. KANDOI)
CHAIRMAN

Annexure 'A' Annexed to Directors Report

To
The Members,

COMPLIANCE REPORT

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. not exceeded the borrowing powers.
8. 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.
9. the company has generally complied with the applicable provisions of the Listing Agreements with the Stock Exchanges.
10. the company has conducted postal ballot proceedings during the year in compliance with the provisions of section 192A of the Act read with Postal Ballot Rules.

For KG Petrochem Limited

Place: JAIPUR
Date : 26th JUNE 2006

Sd/-
(G.S.KANDOI)
Chairman