

27th ANNUAL REPORT 2006-2007

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 : kgbags@rediffmail.com



VISION

WE ARE DEDICATED

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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
403, Royal World,
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 : kgbags@rediffmail.com

LETTER FROM THE CHAIRMAN

Dear Shareholders,

I am happy to highlight certain salient aspects of your company's performance during the Financial Year 2006-07. The Company earned Net Profit (PAT) of Rs. 31.94 Lacs in comparison to Rs. 21.31 Lacs in previous year. The turnover of the company has increased to Rs. 3050.42 Lacs in comparison to previous year i.e. Rs. 1212.57 Lacs.

Let me share with you some of the key developments during the year.

Woven Sacks Division: During the year the management has sold one Tape Plant and 4 circular weaving looms being of obsolete condition. This division has earned profit of Rs. 47.73 Lacs after providing depreciation of Rs. 65.05 Lacs.

Agency Division: It has achieved Income of Rs. 18.97 Lacs from Rs. 17.66 Lacs in previous year i.e. growth of 7.42%. It has earned a profit of Rs. 4.79 lacs during the year 2006-2007.

Health Care Division: "The Apollo Clinic" is on its line to achieve the better performance during the year. It has achieved Income from operation to Rs. 74.37 Lacs from Rs. 61.20 Lacs in previous year.

Textile Division: During the year under review, it has achieved turnover of Rs. 2009.13 Lacs including export sales of Rs. 449.27 Lacs as against Rs. 207.22 Lacs during 3 ½ months in 2005-06 including export sales of Rs. 15.66 Lacs.

We have dynamically evolved from a sacks-manufacturer to textile, health care services and agency business of GAIL.

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.

Looking to the overall financial position of your company it has earned cash profit of Rs.377.49 lacs.

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

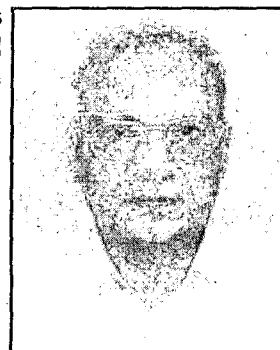
These initiatives have provided us with clear direction. I am confident that KG's strong foundation will continue to give us that competitive edge in the coming years.

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.

With warm regards,

Sd/-

G. S. KANDOI
Chairman





NOTICE

NOTICE is hereby given that the 27th Annual General Meeting of the members of KG PETROCHEM LIMITED will be held on Wednesday the 29th day of the August, 2007 at 11.00 a.m. at the Registered Office of the company at C-171, Road No. 9J, VKI Area, Jaipur-302013 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 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 Vivek Singhal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Shri Arvind Kucheria 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 : **21st MAY 2007**

Sd/-
(G.S.KANDOI)
CHAIRMAN

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATENED 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 24th August, 2007 to 29th August, 2007 (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 : **21st MAY 2007**

(G.S.KANDOI)
CHAIRMAN


BRIEF PROFILE OF DIRECTORS AS PER CLAUSE 49 OF LISTING AGREEMENT

Particulars	Shri Vivek Singhal	Shri Arvind Kucheria
Date of Birth & Age	26.05.1969 (38 Years)	06.07.1960 (47 Years)
Date of appointment on the Board	23.06.1993	20.07.2005
Qualification	B.E.(Mech.) & MBA (USA)	B. Com & CS (Inter)
Expertise in Specific functional areas	Management	Accounts & Finance, Secretarial
Directorship held in other companies as on 31 st March, 2007	Nil	Nil
Membership / Chairmanships of Committees in other Public Companies.	Nil	Nil
No. of Shares Hold	489250	Nil

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DIRECTORS' REPORT

Dear Shareholder,

Your Directors take immense pleasure in presenting the 27th Annual Report on the working of the company together with audited accounts for the financial year ended on 31st March 2007.

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>2006-2007</u>	(Rs. in Lacs) <u>2005-2006</u>
Sales/Income from operation	3050.42	1212.57
Other Income	32.10	43.58
Total Expenditure		
(Including variation in Stock)	2581.84	1077.96
Profit before Interest,		
Depreciation & Tax	500.67	178.20
Financial Expenses	153.15	40.67
Profit /(Loss) before Depreciation & Tax	347.52	137.53
Depreciation	345.54	108.31
Provision for Taxation	(29.96)	7.91
Profit /(Loss) after Tax	31.94	21.31
Prior Period Adjustment (Dep.)	0.12	19.09
Profit & Loss brought forward	400.63	360.23
Balance Carried to Balance Sheet	432.70	400.63

OPERATIONS:

Woven Sacks Division

The operation of this division during the year was satisfactory. The turnover of the division increased to Rs. 947.95 Lacs as compared to Rs. 926.49 Lacs in previous year and recorded an increase of almost 2%. It has earned profit before tax (PBT) of Rs. 47.73 Lacs after providing depreciation of Rs. 65.05 Lacs in comparison to previous year PBT of Rs. 108.08 Lacs after providing depreciation of Rs. 45.42 Lacs.

Agency Division

The Company is consignment stockiest of GAIL (India) Ltd. and marketing GAIL products i.e. polymer. During the year it has marketed polymer of 4701.765 MT worth Rs. 3347.53 Lacs. Over and above heavy fluctuation in international prices of the product, your company is receiving good response from customers in this sector. The Agency Division earned commission of Rs. 18.97 Lacs in comparison to Rs. 17.66 Lacs during the year 2005-2006.

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. 74.37 Lacs in comparison to Rs. 61.20 Lacs in previous year. The management is anticipating better performance in future.

Textile Division

During the year, The division has made sales of Rs. 2009.13 Lacs including export of Rs. 449.27 Lacs as against sales of Rs. 207.22 Lacs including export of Rs. 15.66 Lacs in 3 ½ months during 2005-2006. During the year it has hit with cyclone in mid May 2006 which has affected the production. The management of your company is anticipating better results in the next year. The Division has incurred a loss of Rs. 49.78 lacs after providing depreciation of Rs. 265.95 lacs as against loss of Rs. 67.98 lacs in its maiden period during 2005-06 The division



has come out with a cash profit of Rs. 216.16 lacs as against cash loss of Rs. 19.63 lacs in the previous year due to financial expenses of Rs. 20.98 lacs and provision for depreciation of Rs. 48.35 lacs

NET WORTH:

Your company continued to perform creditably in 2006-2007, as well. The year saw your company's net worth growing from Rs. 1041.15 Lacs in the previous year to Rs. 1115.32 Lacs as on 31 March 2007.

MANUFACTURING:

In Woven Sacks division Your Company could process 1461.342 MT polymers during 2006-07 in comparison to 2033.463 MT polymers during 2005-06. During the year your company has sold 8 circular weaving looms & one Tape plant which have become obsolete and required high maintenance. However, the management is expecting to maintain its present performance in future.

In Textile division Your Company could process 1202.616 MT yarn during 2006-07 in comparison to 213.715 MT yarn during 2005-06. The management of your company is expecting 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 Terry Towel products. 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. 424.66 as against Rs. 14.99 lacs in the year 2005-2006.

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, with the utmost zeal the management of your company has fully implemented the Terry Towel project in June 2006 and it started regular production from September 2006 onwards.

DIRECTORS

In terms of the provisions of the Companies Act, 1956 and Articles of Association, Shri Vivek Singhal and Shri Arvind Kucheria, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of Section 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 have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have 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 2007 and of the profit or loss of the Company for the year;
- (iii) that the Directors have 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 have 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:

- (i) Audit Committee
- (ii) Remuneration Committee
- (iii) 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 retire 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 of 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.

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.

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 2006-2007 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, 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 : **21st MAY 2007**

(G.S.KANDOI)
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. The Board of Directors of the company is duly constituted. The appointment of directors has been made in accordance with the provisions of the Act.
6. complied with all the requirements relating to minutes of the proceedings of the meetings of the Directors/ Committee and the shareholders.
7. made due disclosure required under the Act.
8. not exceeded the borrowing powers.
9. 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 Market during the last three years.
10. the company has generally complied with the applicable provisions of the Listing Agreements with the Stock Exchange.

For KG Petrochem Limited

Place: **JAIPUR**
Date : **21st MAY 2007**

(G.S.KANDOI)
CHAIRMAN