



28th ANNUAL REPORT 2007-2008

**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 AMAR CHAND GUPTA SHRI RAMESHWAR PAREEK (w.e.f. 29.05.2008)
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.

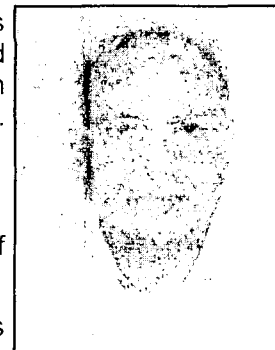
Registered Office & Works: C-171, Road No. 9J, Vishwakarma Industrial Area, JAIPUR-302 013
Tel. No: 0141-2331231, 2331251, 2331281 Fax: 0141-2332845 email ID : kgbags@rediffmail.com



LETTER FROM THE CHAIRMAN

Dear Shareholders,

I am happy to highlight certain salient aspects of your company's performance during the Financial Year 2007-08. The Company earned Net Profit (PAT) of Rs. 232.74 Lacs in comparison to Rs. 31.94 Lacs in previous year. The turnover of the company has increased to Rs. 4922.64 Lacs in comparison to previous year i.e. Rs. 3050.42 Lacs.



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

Woven Sacks Division: During the year the division has earned profit of Rs. 47.73 Lacs after providing depreciation of Rs. 65.05 Lacs.

Agency Division: It earned Commission Income of Rs. 17.63 Lacs as compared to Rs. 18.97 Lacs in previous year. It has earned a profit of Rs. 32.49 lacs as compared to previous year Rs. 12.33 Lacs.

Health Care Division: "The Apollo Clinic" has not achieved good performance during the year. It has achieved Income from operation Rs. 56.45 Lacs from Rs. 74.37 Lacs in previous year.

Textile Division: During the year under review, it has achieved turnover of Rs. 3774.21 Lacs including export sales of Rs. 1039.33 Lacs as against Rs. 2009.13 Lacs including export sales of Rs. 424.66 Lacs during 2006-07.

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. 545.98 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 with regard to putting up 30 more looms 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,

G. S. KANDOI

Chairman



NOTICE

NOTICE is hereby given that the 28th Annual General Meeting of the members of KG PETROCHEM LIMITED will be held on Wednesday the 27th day of August, 2008 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 2008 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 A. S. Patani 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 on ordinary resolution :

"RESOLVED THAT Mr. Rameshwar Pareek a Director, who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 29 May, 2008 pursuant to Section 260 of the Companies Act, 1956 read with Article 77(b) of the Articles of Association of the company, and who holds the office 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 liable to retire by rotation."

For & on behalf of the Board

Place: **JAIPUR**
Date : **29th MAY 2008**

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 22nd August, 2008 to 27th August, 2008 (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.

8. **ITEM NO. 5.**

The Board of Directors of the Company appointed Mr. Rameshwar Pareek as an additional director in its meeting on 29.05.2008. The aforesaid appointment was made as per provisions of section 260 of the Companies Act 1956 read with Article 77(b) of the Articles of Association of the company. He holds office up to the date of ensuing Annual General Meeting. The Company has received notice in writing from a member along with deposit of Rs. 500/- signifying his intention to propose Mr. Rameshwar Pareek as a director in terms of Section 257 of the Company Act, 1956.

Mr. Rameshwar Pareek is a retired Senior Govt. Officer having wide experience in finance administration and legal matter.

Considering the knowledge and experience of Mr. Rameshwar Pareek, it will be in the interest of the Company that he is appointed as a Director, liable to retire by rotation.

The Board of Director recommends the passing of the resolution as set out as Item No. 5 of the accompanying Notice for appointment of the said Director. None of the directors except Mr. Rameshwar Pareek is in any way concerned or interested in the passing of the aforesaid resolution.

For & on behalf of the Board

Place: JAIPUR
Date : 29th MAY 2008

(G.S.KANDOI)
CHAIRMAN

BRIEF PROFILE OF DIRECTORS AS PER CLAUSE 49 OF LISTING AGREEMENT

Particulars	Shri G. S. Kandoi	Shri A. S. Patani	Shri Rameshwar Pareek
Date of Birth & Age	07.11.1943 (65 Years)	28.09.1969 (39Yrs.)	01.11.1944 (64 Years)
Date of appointment on the Board	05.09.2003	01.01.2004	29.05.2008
Qualification	B.E.(Mech.)	B.A. & PGDCA	B.A. (Hons.), M.A. & Diploma in Management
Expertise in Specific functional areas	Management & Finance	Marketing	Legal & Finance
Directorship held in other companies as on 31 st March, 2008	Chrome International Co. Ltd.	Nil	Genus Power Infrastructure Ltd. Mayur Uniquoters Ltd.
Membership / Chairmanships of Committees in other Public Companies.	Nil	Nil	Chairman / Member in (a) Genus Power Infrastructure Ltd. Project Management, Audit & Remuneration Committee (b) Mayur Uniquoters Ltd. Audit Committee
No. of Shares Hold	415000	5400	Nil



DIRECTORS' REPORT

Dear Shareholder,

Your Directors take immense pleasure in presenting the 28th Annual Report on the working of the company together with audited accounts for the financial year ended on 31st March 2008.

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>2007-2008</u>	(Rs. in Lacs) <u>2006-2007</u>
Sales/Income from operation	4922.64	3050.42
Other Income	40.70	32.10
Total Expenditure (Including variation in Stock)	4162.42	2581.84
Profit before Interest, Depreciation & Tax	800.92	500.67
Financial Expenses	222.22	153.15
Profit /(Loss) before Depreciation & Tax	578.70	347.52
Depreciation	313.24	345.54
Provision for Taxation	32.72	(29.96)
Profit /(Loss) after Tax	232.74	31.94
Prior Period Adjustment (Dep.)	39.52	0.12
Profit & Loss brought forward	432.70	400.63
Balance Carried to Balance Sheet	704.96	432.70

OPERATIONS:

Woven Sacks Division

The operation of this division during the year was satisfactory. The turnover of the division increased to Rs. 1074.35 Lacs including export of Rs. 59.55 Lacs as compared to Rs. 947.95 Lacs in previous year and recorded an increase of almost 13%. It has earned profit before tax (PBT) of Rs. 46.41 Lacs after providing depreciation of Rs. 13.17 Lacs in comparison to previous year PBT of Rs. 40.20 Lacs after providing depreciation of Rs.65.05 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 4879.711 MT worth Rs. 3624.61 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. 17.63 Lacs in comparison to Rs. 18.97 Lacs during the year 2006-2007.

Health Care Division

During the year, Health Care Division of your company i.e. "The Apollo Clinic" has not done well and it has achieved operational receipts to the tune of Rs. 56.45 Lacs in comparison to Rs. 74.37 Lacs in previous year. In spite of all efforts, management could not improve its performance.

Textile Division

During the year, the division has made sales of Rs. 3774.21 Lacs including export of Rs. 1039.33 Lacs as against sales of Rs. 2009.13 Lacs including export of Rs. 424.66 Lacs during 2006-2007. The management of your company is anticipating better results in the year ahead. The Division has earned profit (before Tax) of Rs. 195.02 lacs after providing depreciation of Rs. 285.52 lacs as against loss of Rs. 49.78 lacs after providing depreciation of Rs. 265.95 lacs during 06-07. The division has earned cash profit of Rs. 480.54 lacs as against Rs. 216.16 lacs in the previous year.

**NET WORTH:**

Your company continued to perform creditably in 2007-2008, as well. The year saw your company's net worth growing from Rs. 1115.32 Lacs in the previous year to Rs. 1388.30 Lacs as on 31 March 2008.

MANUFACTURING:

In Woven Sacks division Your Company could process 1384.627 MT polymers during 2007-08 in comparison to 1461.342 MT polymers during 2006-07. The management is expecting to maintain its present performance in future.

In Textile division Your Company could process 2065.698 MT yarn during 2007-08 in comparison to 1202.616 MT yarn during 2006-07. 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 made an export of its product worth Rs. 1098.88 as against Rs. 424.66 lacs in the year 2006-2007.

DIVIDEND

Your directors are unable to recommend any dividend during the year under review to conserve funds for expansion/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 planned to put up 30 more Looms to expand the Terry Towel project. This will be the first expansion of the project and the management is expecting to implement the expansion project by Sept. 2009.

DIRECTORS

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

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Shri Rameshwar Pareek, who was appointed as an Additional Director under Section 260 of the Act and liable to hold office upto the ensuing Annual General Meeting, being eligible offers himself for re-appointment. The Company has received necessary notice under section 257 of the Act. Your Board of Directors recommend his re-appointment.

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 2008 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 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.

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 2007-2008 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, State Bank of Saurashtra, Punjab National Bank, 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 : 29th MAY 2008

(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 meeting 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 Markets during the last three years.
10. the company has generally complied with the applicable provisions of the Listing Agreements with the Stock Exchanges.

For **KG Petrochem Limited**

Place: **JAIPUR**
Date : **29th MAY 2008**

(G.S.KANDOI)
CHAIRMAN